# Indal Limited Annual Report 1979

Indal Limited is a diversified North American industrial organization with 25 operating subsidiaries and divisions in Canada and 17 subsidiaries in the United States. Founded in 1964 as a small extruder of aluminum and producer of cold rollformed metal products, it now employs approximately 6,000 people at 58 Canadian and U.S. manufacturing and processing plants and 20 sales offices and warehouses.

Indal companies extrude aluminum, temper glass and produce a broad range of metal and wood products for the residential and non-residential construction and the home improvement and consumer markets. Other manufacturing and processing operations include the recycling of aluminum, the production of steel stampings and containers for the automotive industry and the fabricating of engineered aluminum products for government agencies and industrial customers. A metal trading company in Cleveland, Ohio is also part of the Indal Group.

The output of Indal's Canadian and U.S. plants is sold mainly to the following markets: residential construction; home improvement and consumer; automotive and custom engineering; and agricultural, commercial and industrial construction. The major raw materials used are aluminum, lumber, steel, glass and zinc.

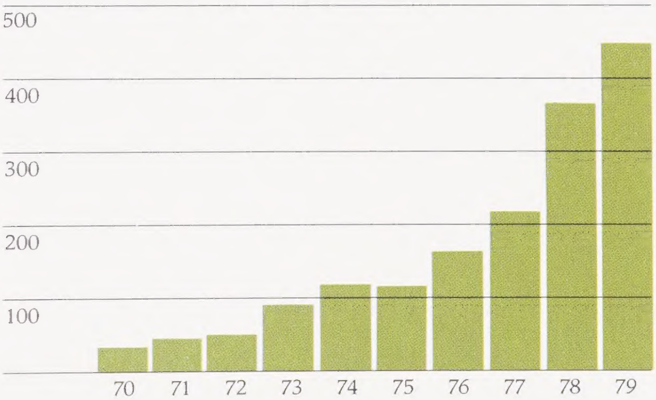
Approximately 55 percent of the common shares of Indal Limited are beneficially owned by R.T.Z. Industries Limited, London, England, which is 100 percent owned by The Rio Tinto-Zinc Corporation Limited, a world-wide mining and industrial organization. The balance of Indal's common shares, approximately 45 percent, are owned by individual and institutional investors in Canada and the United States.

*Cover photo: Molten zinc flows through a trough to automated die casting units in Fredericksburg, Va., plant of North American Die Casting.*

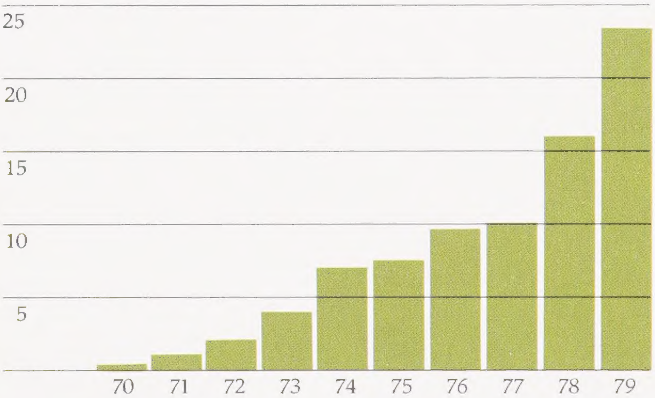
# Financial highlights
for the years ended December 31

| | | 1979 | 1978 | Change |
|---|---|---|---|---|
| | | (thousands of dollars) | | |
| **Operating results:** | Sales | **$450,085** | $363,328 | +24% |
| | Earnings from operations, before income taxes | **39,073** | 30,004 | +30% |
| | Net earnings | **23,666** | 16,126 | +47% |
| | Preferred dividends paid | **1,827** | 1,101 | +66% |
| | Common dividends paid | **6,707** | 3,640 | +84% |
| | Return on assets | **8.2%** | 6.2% | +32% |
| | Return on common shareholders' equity | **19.0%** | 18.1% | + 5% |
| **Common share information:** | Average number of shares outstanding (in millions) | **9,579** | 6,664 | +44% |
| | Earnings per common share | **$2.28** | $2.25 | + 1% |
| | Dividends per common share | **70¢** | 55¾¢ | +26% |
| **Financial position:** | Total assets | **$289,840** | $259,216 | +12% |
| | Long-term liabilities | **56,021** | 56,742 | – 1% |
| | Common shareholders' equity | **122,909** | 107,557 | +14% |
| | Funds from operations | **36,708** | 28,208 | +30% |

## Sales
(millions of dollars)




## Net earnings
(millions of dollars)




# Contents

# Report to shareholders

## Summary 1979

Despite soft conditions in two of your Company's major markets, 1979 was an outstanding year with the main feature being internal growth compared to the previous year's acquisition activity. Net earnings in 1979 increased 47% to $23.7 million ($2.28 per share on 9.6 million shares) compared with $16.1 million ($2.25 per share on 6.7 million shares) in the previous year. Manufacturing sales were $450 million compared with $363 million in 1978.

The last Annual Report mentioned the possibility of difficult conditions for some of Indal's markets in 1979 and residential construction and automotive, two of your Company's substantial markets, did indeed suffer a downturn in activity. This was not, however, as serious as had been forecast by most economists. Residential housing starts in the United States finished 1979 at 1.74 million, 16% down from 1978 but with the last three months showing resilience, particularly in the sun belt areas where your Group is well represented. In Canada, housing starts in 1979 dropped for the third successive year to 198,000, down 13% from 1978. North American car and truck sales fell in 1979 by 12%, but the impact on your Company was not material due to several recent expansions which resulted in considerable product and customer diversification.

1979 reflected the benefit of your Company's diversification policy of previous years. Canadian non-residential construction was strong as a result of a 10% real increase in business spending which stimulated activity and benefitted subsidiaries serving industrial markets. All North American aluminum extrusion and recycling operations which serve widely diversified markets were also areas of strength. Glass tempering operations continued to penetrate successfully the growing U.S. architectural market and aluminum metal trading was very buoyant in a year which featured rising prices for prime aluminum amid fears of shortages which in turn promoted a high volume of transactions.

Interest costs were substantially reduced as a result of the December 1978 common share equity financing which raised net proceeds of $37 million. The significance of this benefit in 1979 was offset by a small charge against profits through the translation of U.S. working capital into Canadian dollars. In 1978 such an exchange translation resulted in a gain of $2 million (30¢ per share).

Although there were no acquisitions during the year there were a number of internal expansions and capital expenditures totalled $33 million. The most significant expansions were the completion of a $6.5 million wood fabrication and wood window manufacturing plant in Gainesville north of Atlanta, and the start of the Group's fourth and fifth glass tempering plants in Atlanta, Georgia, and Grand Prairie, Texas, at a total cost of $8.3 million. The productive capacity of your automotive operations was further expanded by 20% through a $3.2 million investment and a start was made on the $6.4 million construction of an aluminum fabricating plant in Prescott, Arizona, which will serve the Southern and Western U.S. markets when it is operational in 1980. To rationalize and improve the Group return on investment, the divestment or merger of five smaller operations was also completed.

## Financial

During 1979, a U.S. $65 million bank facility was arranged by a consortium of banks led by the Toronto-Dominion and Citibank. It comprised a $30 million line of credit for working capital purposes and $35 million by way of a seven-year term loan and also represents part refinancing of existing subsidiary loans.

Long-term liabilities incurred during the year amounted to $18.4 million including a drawdown of U.S. $6 million of the new seven year bank term facility and U.S. $6.5 million Industrial Revenue Bonds. Retirement of long-term liabilities amounted to $18.4 million including repayment of bank term loans of $11.8 million and the repayment of $2 million on the 7% Note listed under long-term liabilities.

Net working capital at the end of the year was $87 million compared with $92 million at December 1978. During the year $33 million was spent on fixed asset additions and $3.8 million on the purchase of minority interests in a number of subsidiary companies.

## Outlook

The short term outlook for your Company is clouded by poor economic indicators for 1980, an election year in both the United States and Canada. Though the North American recession anticipated since mid-1979 did not occur, it is expected that a downturn in economic activity, accentuated by winter conditions, will adversely affect results in at least the first half of 1980. This outlook is supported by economic forecasts which in Canada call for zero real growth in 1980 and in the United States for a downturn of perhaps 2% in real terms. Specific economic indicators important to your Company are housing starts which are affected by current record high mortgage rates. Housing starts in Canada are forecast to be in the region of only 175,000, down 12% from 1979 and in the United States to be in the range of 1.3 to 1.4 million, considerably down from the previous year's 1.74 million. In both countries this downturn will probably affect the first half of the year more seriously. During the second half, seasonal factors and a forecast decline in interest rates could produce a pick-up in activity. North American car sales are expected to decline by about 12% but operations serving this market are expected to withstand this due to the product and customer diversification mentioned earlier.

In 1980 strong Canadian business investment is again expected to bring major benefits to your Company. This is forecast to grow by 4% in real terms and those operations serving the industrial and non-residential construction markets should enjoy sales growth. Continuing demand for and increases in the price of aluminum are expected to again benefit metal trading activities. Your Group's consumer and home improvement activities should gain from the traditional increase in volume in these markets as residential housing starts decline and as a result of continued government support for energy conservation. Aluminum extruding and tempered glass operations are expected to continue to profitably penetrate their markets.

Your Company's objectives for 1980 fall into the three following categories:-

*Existing operations*
In 1979, some Group operations produced unsatisfactory returns on investment. A number of these situations have already been resolved either by an improvement in internal controls or by reorganization or divestment. Considerable attention is being paid to restoring remaining marginal Group operations to satisfactory levels of return in 1980.

*Internal expansions*
Indal's capital expenditure budget of $28 million includes provision for the completion of a number of the internal expansions mentioned earlier and the start of several other new expansions. It has long been and will continue to be a policy of your Company to encourage, seek out and develop new opportunities for growth through internal expansion and the creation of new ventures from within the existing Group. The benefit of this policy was amply demonstrated through the maturing of earlier expansions, which resulted in increased earnings in 1979.

*Diversification by acquisition and backward integration*
Management continues to examine possibilities for acquisition either in established or in new areas of business. Further diversification to enter a significant new market with growth potential and with a different economic cycle to those of existing markets is an Indal objective. This long term strategy, which could include backward integration into the supply of some of Indal's major raw materials, will further improve and broaden the industrial base of your Company.

It is not, of course, intended to make precipitous moves for any future investments and as in the past, a careful and well conceived plan to complete acquisitions is being followed and only when opportunities which fully meet all of Indal's criteria become available, will investments be made.

In February 1980, your Board of Directors approved an increase in the dividend on the common shares from 17½¢ to 20¢ per quarter. It continues to be the policy of your Board of Directors to regularly review dividends in relation to earnings achieved.

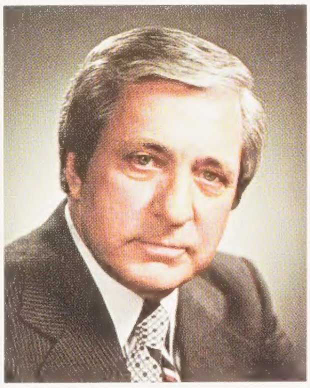
It will be apparent from the above summary and the economic factors immediately anticipated in North America, that at least the first half of 1980 will be difficult for Indal. However, the financial position of your Company is at this time very strong and if interest rates drop in the second half of 1980 this will precede a return of better conditions in residential construction markets. Indal, with its solid base of existing operations supplemented by internal expansions and by possible acquisition opportunities, is in a sound position to continue through the 1980's the growth achieved in the past decade.

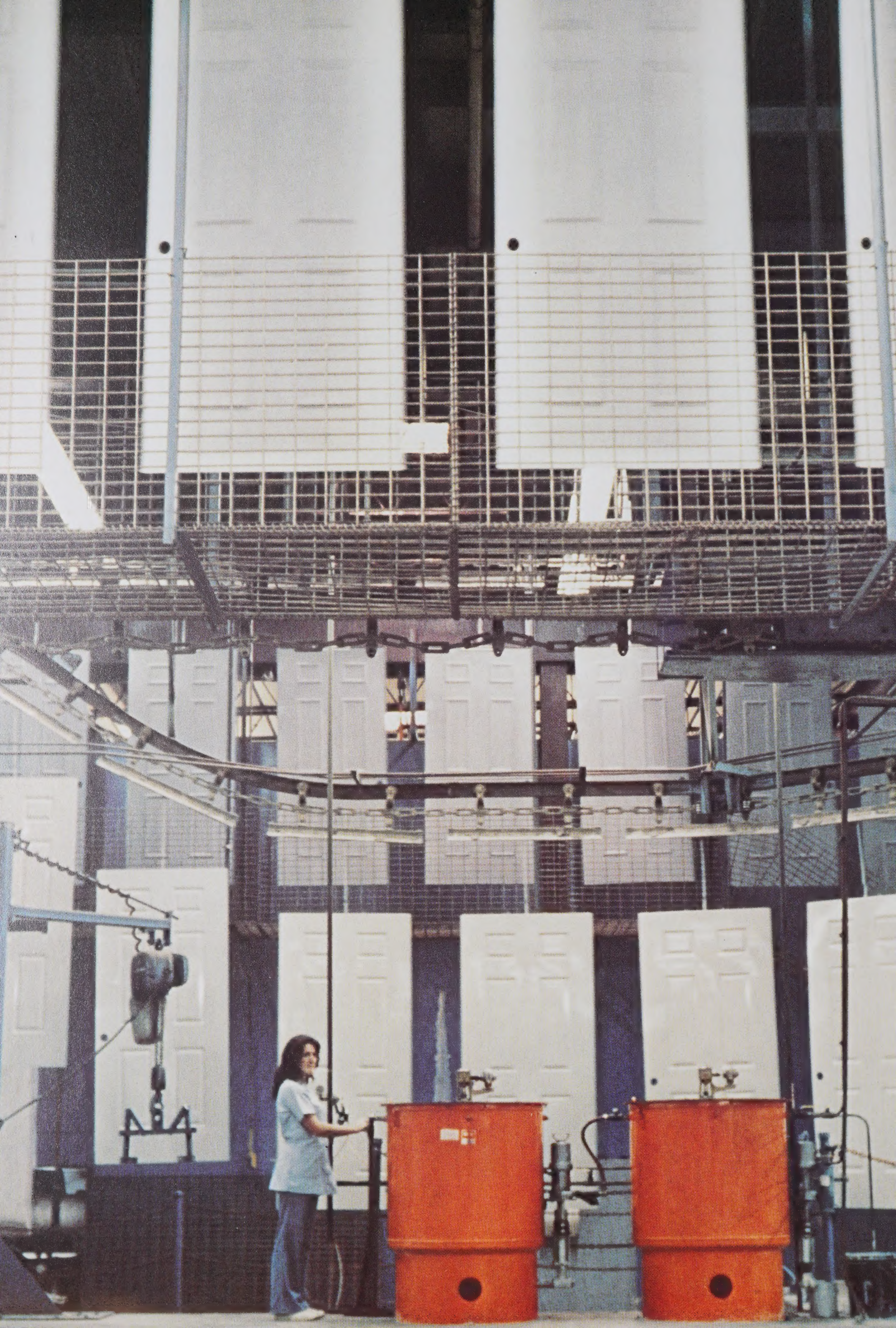
Mr. Robert B. Leeson, who has been a director of your Company for thirteen years, is retiring and will not be standing for re-election to the Board of Directors. On behalf of the shareholders, we wish to thank Mr. Leeson for the very considerable contribution he has made to the growth of your Company over the years.

1979 was a record year for your Company, and we would once again like to express our sincere appreciation to all of those Group employees whose enthusiasm and dedication made this result possible.

Walter E. Stracey
Chairman of the Board

Dermot G. Coughlan
President & Chief Executive Officer





# Review of markets and operations

In previous years, it has been Indal's practice when presenting this review to discuss your Company's activities in terms of both manufacturing and marketing. In view of the growth of Indal and the changes in the style and format of the Annual Report every five years, it now seems appropriate to take a new approach. This year, for the first time, summarized financial information has been provided on the major market segments served by the Company and manufacturing operations are reported in these segmented sections instead of separately.

In considering this information it is valuable to review the growth of Indal from its formation in 1964 as a small aluminum extruder and steel rollformer to its present position as one of the 100 largest Canadian manufacturing companies.

Indal's early development was marked by geographic expansion and vertical integration, particularly as an aluminum fabricator. It continues to manufacture many products–especially those for the residential and non-residential construction market–from extruded and cold rollformed sections and it has added many new products as a result of innovation, acquisitions and the launching of new ventures.

To achieve a measure of diversification, for example, a steel stamping operation serving the automotive industry was acquired in 1972 and expanded significantly since then. Market knowledge relating to changes in safety legislation governing the use of glass in construction and in the home prompted Indal to establish a glass tempering facility. The initial plant, opened in Canada in 1974, has been followed by four more at locations in the United States. Such new ventures have characterized a considerable degree of Indal's growth.

Acquisition has been another successful strategy for Indal, particularly in entering a new geographic area. Applied first in Western Canada, it has been used since 1973 in developing a base in the United States.

The Company adheres to a philosophy of operating autonomy at its 42 individual profit centres supported by a comprehensive financial reporting system, and although all trading between these operations is conducted on an arm's length basis, a considerable degree of integration has been achieved and maintained.

As a result of the developments noted above, the Group can now be considered to be involved in five principal areas of business: manufacturing for the residential construction, industrial, home improvement & consumer and non-residential construction markets, and in metal trading.

## Residential construction

*Manufacturing processes*–Principally extruding and recycling, wood profiling, fabricating and assembly, with some glass tempering, rollforming, stamping and die casting.

*Products*–Doors, windows, cabinets and many manufactured components.

*Panels for insulated steel entrance doors travel on conveyor system in plant of Peachtree Doors, Atlanta, Ga.*

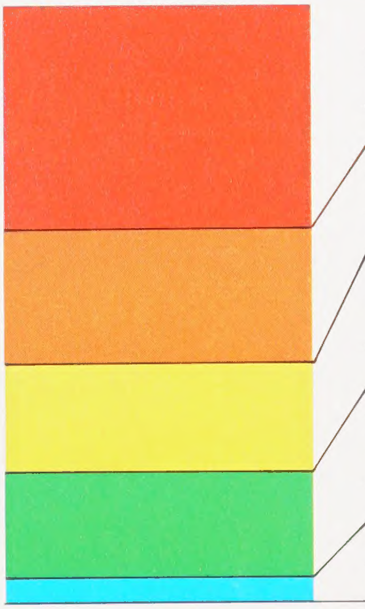
| *Segmented financial data* | **1979** (in thousands of dollars) | 1978 | Percentage Change |
|---|---|---|---|
| Sales to third parties | **$166,262** | $131,758 | +26.2% |
| Segment operating profit | **$ 18,740** | $ 16,092 | +16.5% |
| % Profit to sales | **11.3%** | 12.2% | |

Your Company's participation in the residential construction market in 1979 emphasized internal expansion in contrast to the acquisition activity of the previous year. An Atlanta, Georgia, subsidiary which manufactures insulated steel entry systems and wood patio doors, commenced a $6.5 million capital expenditure program involving the construction of a new plant in Gainesville, Georgia, to do wood profiling and to produce a line of high quality windows for the U.S. national dealer market. Another major expansion was undertaken during the year by a subsidiary in Nashville, Tennessee, a manufacturer of aluminum windows and doors widely used by both the residential construction and home improvement markets. To better penetrate these markets in the western United States, the subsidiary is constructing in Prescott, Arizona, a $6.4 million fully-integrated plant which is scheduled for completion in 1980.

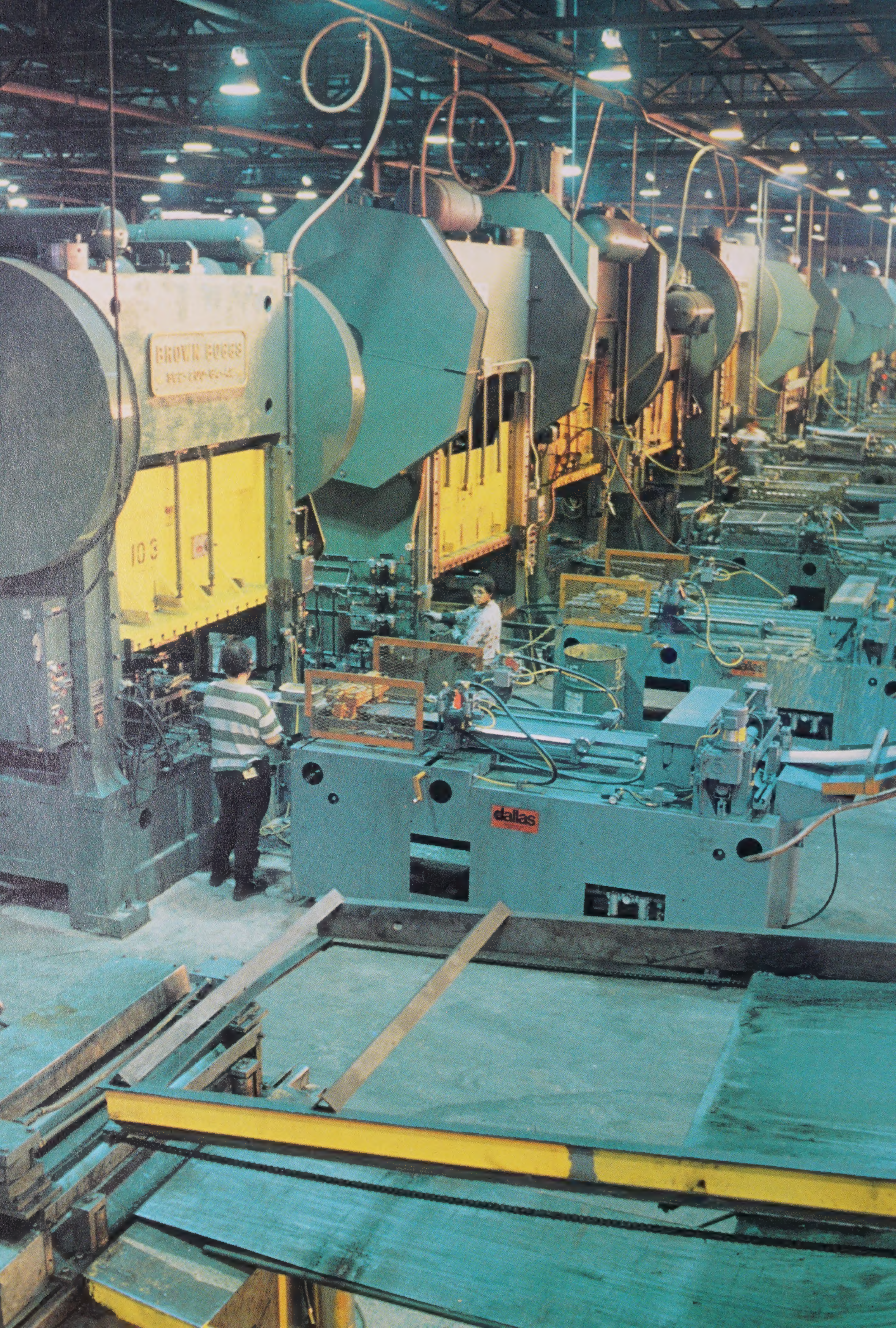
In Canada, where Indal's sales to the residential construction market represent about 26% of total Canadian sales, housing starts were down to 198,000 from 227,000 in 1978. This was the third consecutive year of decrease and the lowest number of starts recorded during the past ten years. Western Canada, where your Company is well represented, had resisted this national trend in recent years but in 1979, excepting British Columbia, this market also experienced a decline in activity which resulted in some reduction in profitability for Indal.

In the United States, housing starts dropped to 1.74 million which was some 16% below the strong perfor-

## Markets served



| | | |
|---|---|---|
| Residential construction | $166,262 | 36.9% |
| Industrial components | $102,011 | 22.7% |
| Home improvement and consumer products | $ 82,664 | 18.4% |
| Non-residential construction products | $ 79,991 | 17.8% |
| Other | $ 19,157 | 4.2% |
| (in thousands of dollars) | $450,085 | 100% |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mance of the previous two years. Approximately 50% of your Company's United States sales are made to this market and although profitability was affected by the downturn in residential construction, the impact was lessened by Indal's significant presence in those regions which are showing some buoyancy, particularly the sun belt areas.

Extruding operations, which produce sections for the residential construction market, as well as for a wide variety of general industrial uses, were faced with a significant reduction in raw aluminum availability when the Company's principal supplier suffered a strike which eventually lasted nineteen weeks. However, the recycling plant in Toronto had been recently expanded and this additional capacity, supported by aluminum obtained through Indal's metal trading subsidiary, enabled Indal extruders to maintain supplies to all customers without impairing profitability.

The outlook for 1980 in Canada and the United States indicates a further reduction in housing starts. It is expected that this downturn will be particularly evident during the first six months with activity picking up progressively over the last half of the year. It is estimated that housing starts in Canada could drop to about 175,000 and in the United States to somewhere between 1.3 and 1.4 million. This is not a particularly encouraging outlook and increased market penetration will be difficult to achieve during this period. However, a substantial number of Indal's manufacturing operations have been strategically located during the past years in those areas of North America where the reduction in housing starts could be less severe. This, together with the development of new, energy-saving products, does decrease Indal's vulnerability to depressed activity in residential construction. Consequently, it is anticipated that this particular segment of your Company's business will continue to make another satisfactory contribution to earnings during 1980.

## Industrial

*Manufacturing processes*–Extruding and recycling, stamping, fabrication and assembly.

*Products*–Automobile and computer components, helicopter hauldown systems and other marine products for defence purposes, miscellaneous industrial components.

| *Segmented financial data* | 1979 (in thousands of dollars) | 1978 | Percentage Change |
|---|---|---|---|
| Sales to third parties | **$102,011** | $ 89,717 | +13.7% |
| Segment operating profit | **$ 13,736** | $ 9,689 | +41.8% |
| % Profit to sales | **13.5%** | 10.8% | |

Indal activities serving this market performed exceptionally well in 1979. Aluminum extruding operations in both Canada and the United States produce sections for a wide variety of industrial uses, as well as for the residential and non-residential construction markets. Despite the supply problems mentioned earlier, all operations increased sales and profits. In particular, in the northeastern United States, your Company profitability penetrated the electrical, transportation and computer sectors of the industrial market. In 1980, it is planned to expand extrusion fabrication capacity to accommodate the growth anticipated to arise from these sources.

The Windsor, Ontario, plant which produces stampings and custom fabricated containers for the automotive industry felt the impact during the second half of the year of a sudden cutback in car and truck production which fell 12% below the record levels achieved during the previous year.

However, an adverse effect on the Company's earnings was avoided as a result of the additional productive capacity which came on stream earlier in the year. This enabled the Windsor operation to broaden its product and customer base and increase its efficiency. The excessive overtime costs experienced in 1978 were eliminated.

Another successful performance was achieved by the Canadian subsidiary which manufactures a wide range of specialized engineered products. Its activities included further development work on a helicopter hauldown system for the U.S. Navy and work on wind turbines and collapsible airport runway lighting systems. The order backlog position is good and could be supplemented later this year by a third phase of the U.S. Navy's hauldown program. This is expected to result in the Indal subsidiary receiving orders for the production of 50 systems with deliveries beginning in November 1982.

During the year the small operation in western Canada which recycled automobile bumpers was sold to private interests since it was no longer considered to be in the mainstream of Indal's activities.

Demand for engineered products and extrusions in 1980 is expected to be strong and, although car and truck production is likely to fall from the 10.9 million units produced in 1979 to about 9.5 million units in 1980, it is believed that Indal will not suffer a commensurate drop in earnings in the industrial market as a whole.

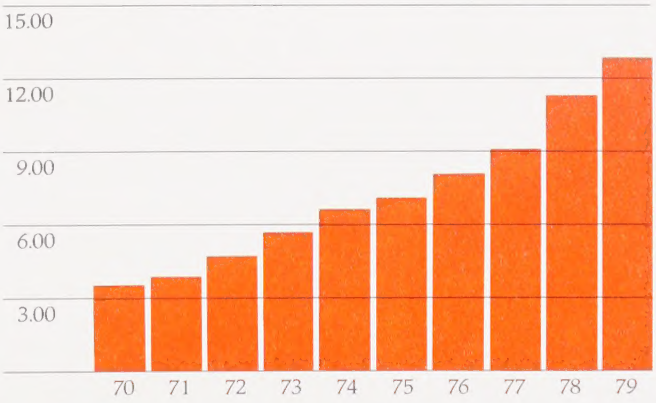
*Huge presses at Fabricated Steel Products, Windsor, Ont., produce steel stampings and stamped assemblies for North America's car and truck industry.*

## Home improvement & consumer

*Manufacturing processes*–Extruding, glass tempering, rollforming, wood profiling, stamping, fabrication and assembly.

*Products*–Doors, windows, ladders, weatherstripping and thresholds, shower enclosures and many manufactured components, particularly extrusions.

## Book value per common share (dollars)



| *Segmented financial data* | **1979** (in thousands of dollars) | 1978 | Percentage Change |
|---|---|---|---|
| Sales to third parties | **$ 82,664** | $ 69,470 | +19.0% |
| Segment operating profit | **$ 5,990** | $ 5,711 | + 4.9% |
| % Profit to sales | **7.2%** | 8.2% | |

In defining this market, Indal considers the principal customer to be the do-it-yourself consumer or home remodeler as opposed to the contractor engaged in the building of new residences. Although many products, particularly windows and doors, are sold to both markets, home improvement tends to experience less dramatic fluctuations in activity than residential construction and is generally contra-cyclical to new construction. Companies serving this highly competitive market experienced mixed results during 1979 but considerable improvement is anticipated during 1980.

In Canada, Indal companies supplying materials to third party customers manufacturing home improvement products enjoyed buoyant trading conditions, particularly in the sale of aluminum extrusions and tempered glass. Sales of storm doors and windows were disappointing but strong demand was experienced for both aluminum ladders and bathtub enclosures.

In the United States, the subsidiary which manufactures aluminum storm doors and windows achieved record sales and earnings. This excellent performance was assisted in some degree by government incentive programs to encourage energy conservation and also by increased penetration of the remodelling market. The security door which had been developed and manufactured in Columbus, Ohio, met with considerable consumer resistance despite the fact that intitial market tests were encouraging. The lack of success of this product had a serious impact on the Kentucky subsidiary which had been established to produce expanded aluminum shapes including a mesh component for the security door. This operation has now been sold.

Operations in Philadelphia which produce replacement windows continued to experience management problems. Further management changes and improved controls were instituted during 1979 and the company has since started to record modest profits. The year as a whole, however, was most unsatisfactory and events are being monitored closely.

The principal objective of Indal in the home improvement and consumer markets during 1980 is to improve trading performance through more effective management control in certain operations. The expected downturn in housing starts should result in good overall market conditions in both Canada and the United States for home improvement and consumer products as consumers remodel their present dwellings in preference to investing in new homes.

## Non-residential construction

*Manufacturing processes*–Rollforming, glass tempering, extruding, fabrication and assembly.

*Field crew of Dominion Bronze, Winnipeg, installs curtain wall, fabricated by the company, for 32-storey Trizec Tower, Winnipeg's tallest office building.*

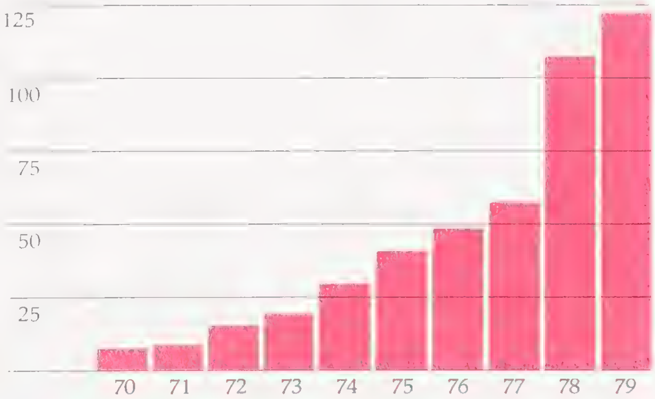
*Products*–Industrial cladding, grain bins, custom size tempered glass, windows, curtain walling, commercial entrances, interior partitions.

| *Segmented financial data* | **1979** (in thousands of dollars) | 1978 | Percentage Change |
|---|---|---|---|
| Sales to third parties | **$ 79,991** | $ 59,746 | +33.9% |
| Segment operating profit | **$ 10,436** | $ 7,883 | +32.4% |
| % Profit to sales | **13.0%** | 13.2% | |

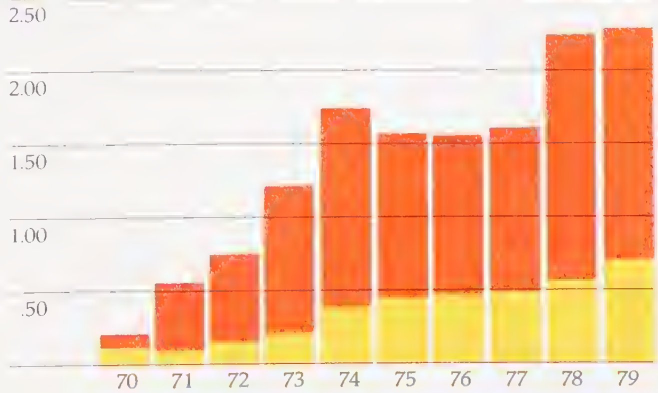
Business investment in Canada showed real growth of 10% during the year and this high level of spending stimulated record levels of activity at your Company's operations manufacturing cold rollformed metal siding for the industrial and agricultural construction markets. Indal has five such manufacturing plants located in Vancouver, Edmonton, Calgary, Saskatoon and Toronto. Each serves its own regional market and was therefore able to exploit fully some of the best market conditions which have prevailed for many years.

Tempered glass, which your Company produces for use in architecturally designed buildings, where the product's distortion-free qualities have considerable aesthetic appeal, enjoyed a continuation of the historic growth pattern in both sales and earnings. During the year two new plants were opened in the United States, one in Atlanta, Georgia, and another in Grand Prairie, Texas, and in December a second furnace began production at the Toledo, Ohio plant. Indal now has a total of five tempered glass plants operating in North America, each serving its own regional market.

Common shareholders equity (millions of dollars)




Earnings per common share
Dividends per common share (dollars)



Companies producing institutional and commercial windows, entrances and curtain walling experienced mixed results. The Toronto market was buoyant, but in Calgary competition was particularly strong and the subsequent keen bidding for contracts had an adverse effect on earnings. In Winnipeg, your company specializing in high-rise commercial development projects had accumulated a large order book but experienced some operating and control difficulties which significantly reduced anticipated margins. Steps were taken to correct this problem during the year.

It is expected that business investment in 1980 will show strength similar to that experienced in 1979, but if interest rates remain at their currently record-high levels, a delay of some capital projects could result. Two positive factors which could assist your companies operating in the non-residential market during 1980 are an improved performance from Winnipeg operations and increased market penetration in the sale of tempered glass. The new tempered glass plants in Georgia and Texas, which were only in the start-up stage in 1979, are now both fully operational and together are expected to make a significant contribution to earnings. In Georgia, a second tempering furnace will come on stream in 1980.

## Metal trading

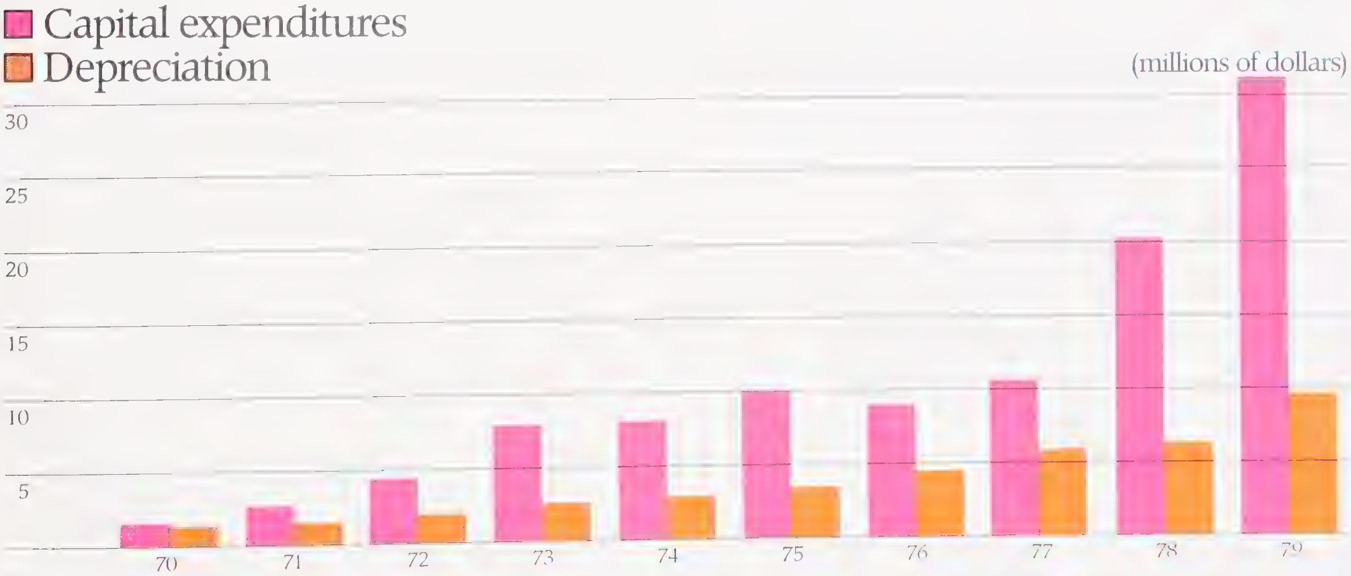
| *Segmented financial data* | **1979** | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Sales | **$334,499** | $161,447 |
| Net earnings | **$ 2,764** | $ 157 |

This business may be described as the function of matching aluminum supply and demand, nationally and internationally, by arranging contracts between buyers and sellers.

As anticipated in last year's report to shareholders, trading volumes vastly improved over the previous year, resulting in a record level of earnings. Rising prices, combined with customer concern over the tight metal supply situation, created market conditions that enabled Group traders to complete a large volume of profitable transactions.

With the high cost to the primary producers of bringing new smelting capacity on stream, coupled with energy constraints, the market for available aluminum supplies is expected to remain strong during 1980 and metal trading activities should benefit accordingly.

*Canadian Casuals leisure furniture manufactured by Indalex Division, Toronto, has aluminum frames finished in a white or putty colour and includes vinyl-banded and cushioned chairs, chaise, and pagoda umbrella for dining table. The furniture is sold by specialty stores throughout Canada.*




*Tempered architectural glass from Tempglass Limited, Toronto, forms backwalls and sidewalls of squash and racquetball courts in Livingston Racquetball and Health Club, Livingston, N.J.*

## Senior officers & management

A number of senior Group appointments and changes have been effected since the beginning of 1979.

Mr. J. N. LeHeup, formerly Executive Vice-President, McKnight Window Industries Limited, was appointed Vice-President, Operations, Indal Limited.

Mr. T. A. Rosko, formerly President, Royal Aluminum, Inc., was appointed Vice-President, Operations, Indal Limited.

Mr. I. R. Moore, formerly Vice-President, Operations, Indal Limited, was elected President, Tempglass Limited, Toronto.

Mr. P. E. Wyatt was appointed Internal Audit Manager, Indal Limited, replacing Mr. R. H. R. Dryburgh who was elected President, Dominion Bronze Limited, Winnipeg.

Mr. B. P. Morine, formerly the Controller of the Company, returned from his family business in New Zealand to take up the position of Manager, Financial Analysis, Indal Limited.

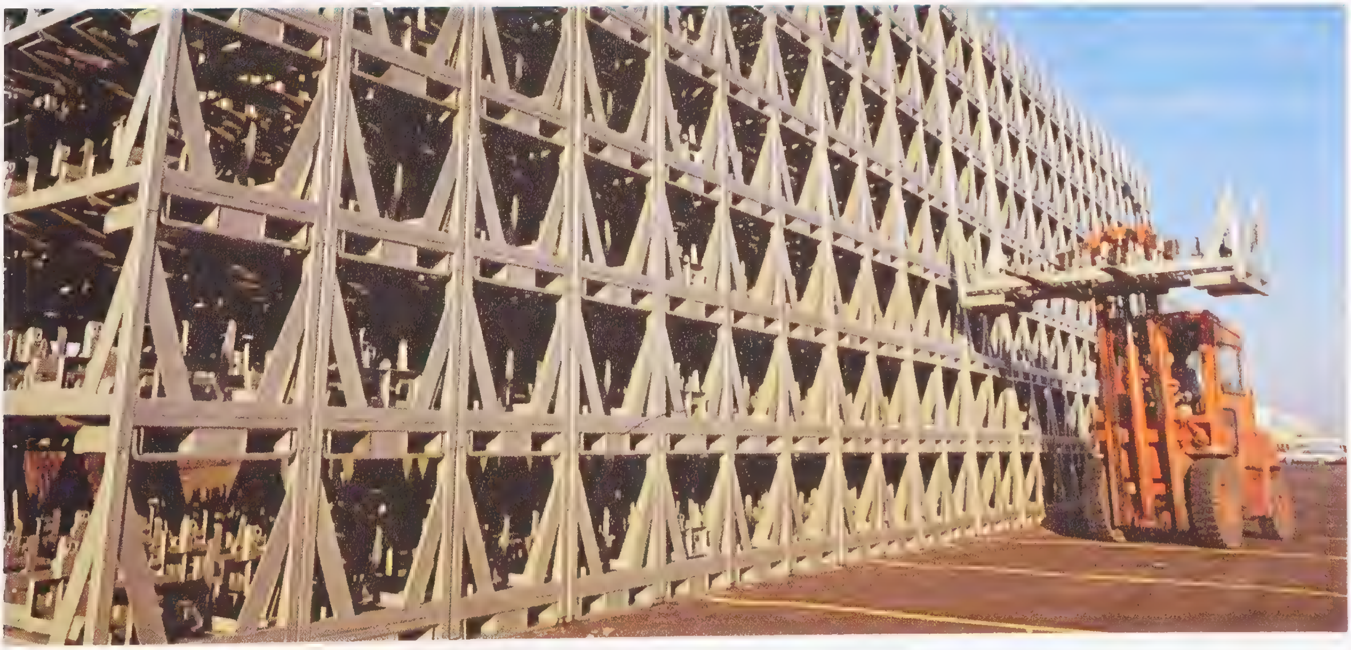
Mr. G. A. Godwin was appointed Assistant Corporate Counsel and Assistant Secretary, Indal Limited.

Mr. C. M. B. Mason, formerly Vice-President, Operations, left the Company to pursue other business interests.

The operating management of the Company was further strengthened since the beginning of 1979 with the appointments of the following additional Presidents of subsidiary companies or divisions: Mr. R. Hopper, Alamo Aluminum Corp.; Mr. J. E. Faveri, Fasco Products Division; Mr. A. Clark, Replacement Products Industries Corporation; Mr. E. Henderson, Rio Indal, Inc.; Mr. J. B. Teets, Royal Aluminum, Inc.; Mr. J. G. Mulvanerty, Tempglass Eastern, Inc.; and Mr. W. C. Metcalfe, Tempglass Southern, Inc.

*Stack of secondary aluminum billet in warehouse of Indalloy Division, Toronto. Division recycles aluminum scrap to produce billet for Indalex Division, Mideast Aluminum Industries and other customers.*

*Fork lift truck at Fabricated Steel Products, Windsor, Ont., stockpiles some of 11,000 engine racks ordered by Ford Motor Company for new engine plant at Dearborn, Mich.*



*Vertical axis windmill fabricated by DAF Indal, Mississauga, Ont., for National Research Council, Ottawa, is generating electricity for provincial power company on test location in Saskatchewan.*

# Summary of significant accounting policies

for the year ended December 31, 1979

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries except Rio Indal, Inc., a metal trading operation which is accounted for by the equity method. All material inter-company items and transactions are eliminated on consolidation. Acquisitions made during the year are consolidated from date of acquisition.

### Foreign currency translation

Assets and liabilities in U.S. funds are translated to Canadian dollars at the rate of exchange in effect at the year-end. Income and expenses in U.S. funds are translated to Canadian dollars at a rate approximating the average rate of exchange during the year. The exchange adjustments on current assets and current liabilities are taken into income. The exchange adjustments on other assets and liabilities are deferred.

### Inventories

Raw material inventories are valued at the lower of cost and replacement cost and other inventories are valued at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

### Fixed assets

Fixed assets, including expenditures which improve or prolong the useful lives of the assets, are stated at cost. Fixed assets obtained through acquisitions are stated at the assigned values at time of acquisition.

Depreciation is computed on a straight-line basis at rates based on the estimated useful lives of these assets. The estimated useful lives range from twenty to forty years for buildings, eight to ten years for machinery and equipment, seven to ten years for office furniture and equipment, three to four years for motor vehicles and two to ten years for tools and dies. Leasehold improvements are amortized over the terms of the leases.

Maintenance and repair costs of a routine nature are charged to earnings as incurred.

### Capital leases

Leases that transfer substantially all the benefits and risks of ownership are capitalized. Other leases are accounted for as operating leases.

### Goodwill

Goodwill resulting from acquisitions or agreements entered into prior to January 1, 1974 is not amortized. Goodwill resulting from acquisitions subsequent to January 1, 1974 is amortized on a straight-line basis over its estimated life, or forty years, whichever is the lesser.

### Deferred charges

Start-up or preproduction costs are amortized over one to five years. Debenture issue expenses are amortized over the terms of the debentures. Patents and licences are amortized over their estimated useful lives.

### Inter-segment sales

Inter-segment sales are accounted for at prices comparable to open market prices.

### Income taxes

The deferral method is used in accounting for income taxes. Timing differences giving rise to deferred income taxes relate primarily to:

- Depreciation and amortization–where the cumulative amounts claimed for tax purposes differ from the amounts written off for accounting purposes.
- Accounts receivable holdbacks–which are not taxed until actually released.
- Prepaid expenses and deferred charges–which are claimed for tax purposes when incurred.

Investment tax credits are taken into income in full when claimed as a deduction from income taxes payable.

### Earnings per share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year after deducting dividends on preferred shares. The average number of shares outstanding in 1979 and 1978 was 9,579,000 and 6,664,000 respectively.

Fully diluted earnings per common share are computed as though the outstanding stock options had actually been exercised at the beginning of the year.

# Consolidated statements of earnings and retained earnings

for the year ended December 31, 1979

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| **Earnings** | | |
| Sales | **$450,085** | $363,328 |
| Cost of sales | **333,753** | 270,783 |
| Gross profit | **116,332** | 92,545 |
| Expenses | | |
| Selling and distribution | **38,851** | 31,106 |
| Administration | **31,070** | 24,955 |
| Financial | **6,488** | 8,170 |
| | **76,409** | 64,231 |
| | **39,923** | 28,314 |
| Other income/(expenses) | **(608)** | (283) |
| Exchange adjustment on net current assets (note 3) | **(242)** | 1,973 |
| Earnings from operations, before income taxes (note 4) | **39,073** | 30,004 |
| Income taxes (note 6) | **16,114** | 12,179 |
| Earnings from operations, before minority shareholders' interest | **22,959** | 17,825 |
| Earnings from metal trading accounted for by the equity method (notes 1 and 7) | **2,764** | 157 |
| Earnings before minority shareholders' interest | **25,723** | 17,982 |
| Minority shareholders' interest | **2,057** | 1,856 |
| Net earnings | **$ 23,666** | $ 16,126 |
| Earnings per common share | | |
| Basic | **$ 2.28** | $ 2.25 |
| Fully diluted (note 8) | **$ 2.25** | $ 2.21 |
| **Retained earnings** | | |
| Balance–beginning of year | **$ 41,845** | $ 31,394 |
| Net earnings | **23,666** | 16,126 |
| | **65,511** | 47,520 |
| Dividends paid | | |
| Preferred shares | **1,827** | 1,101 |
| Common shares | **6,707** | 3,640 |
| Share issue expenses, net of tax | **–** | 934 |
| | **8,534** | 5,675 |
| Balance–end of year | **$ 56,977** | $ 41,845 |

# Consolidated balance sheet

as at December 31, 1979

| Assets | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| **Current assets** | | |
| Cash | $ 219 | $ 6,676 |
| Accounts receivable | 62,384 | 62,251 |
| Inventories (note 9) | 82,925 | 69,481 |
| Other accounts receivable and prepaid expenses | 7,634 | 5,541 |
| | 153,162 | 143,949 |
| Investment in non-consolidated subsidiary (note 1) | 7,324 | 4,667 |
| **Fixed assets**–at cost | | |
| Land | 7,329 | 6,188 |
| Buildings | 39,298 | 29,342 |
| Machinery and equipment | 60,382 | 49,174 |
| Leasehold improvements | 4,912 | 4,140 |
| Office furniture and equipment | 4,390 | 3,645 |
| Motor vehicles | 6,296 | 5,342 |
| | 122,607 | 97,831 |
| Accumulated depreciation | 30,564 | 23,433 |
| | 92,043 | 74,398 |
| Tools and dies–at cost, less amortization | 2,903 | 2,213 |
| | 94,946 | 76,611 |
| **Intangible assets** | | |
| Goodwill (note 10) | 34,255 | 33,676 |
| Deferred charges, less amortization (note 11) | 153 | 313 |
| | 34,408 | 33,989 |
| | $289,840 | $259,216 |

Signed on behalf of the Board D. G. Coughlan, Director; P. G. Selley, Director

## Liabilities

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| **Current liabilities** | | |
| Bank advances | $ 17,486 | $ 1,914 |
| Accounts payable | 17,772 | 23,893 |
| Other accounts payable and accrued charges | 18,531 | 14,094 |
| Income and other taxes payable | 4,175 | 2,699 |
| Deferred income taxes relating to current assets | 1,000 | 942 |
| Current portion of long-term liabilities (note 12) | 7,311 | 8,309 |
| | 66,275 | 51,851 |
| **Long-term liabilities** less current portion (note 12) | 56,021 | 56,742 |
| **Deferred income taxes** | 11,753 | 10,096 |
| **Minority shareholders' interest in subsidiary companies** | 7,882 | 7,970 |
| | 141,931 | 126,659 |

## Shareholders' equity

| | | |
|---|---|---|
| **Capital stock** (note 13) | | |
| Issued and fully paid– | | |
| 1,000,000 floating rate preferred shares | 25,000 | 25,000 |
| 9,592,652 (December 31, 1978–9,558,688) common shares | 65,932 | 65,712 |
| **Retained earnings** | 56,977 | 41,845 |
| | 147,909 | 132,557 |
| | $289,840 | $259,216 |

### Auditors' report to the shareholders

We have examined the consolidated balance sheet of Indal Limited as at December 31, 1979 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for a subsidiary as set out in note 1 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario
February 12, 1980

Coopers & Lybrand

# Consolidated statement of changes in financial position

for the year ended December 31, 1979

| Source of funds | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Operations– | | |
| Earnings before minority shareholders' interest | **$ 25,723** | $ 17,982 |
| Items not affecting funds– | | |
| Depreciation and amortization | **11,457** | 8,875 |
| Deferred income taxes | **1,688** | 847 |
| Amortization of goodwill | **497** | 348 |
| Earnings from metal trading, net of dividends received | **(2,657)** | 156 |
| | **$ 36,708** | $ 28,208 |
| Proceeds from sale of fixed assets | **1,869** | 1,369 |
| Issue of long-term liabilities | **18,364** | 33,191 |
| Issue of floating rate preferred shares | **–** | 25,000 |
| Issue of common shares | **220** | 38,806 |
| Investment by minority shareholders | **255** | 41 |
| Proceeds of sales of subsidiaries | **1,839** | – |
| Less: Working capital of subsidiaries sold | **(409)** | – |
| Other | **362** | 265 |
| Total source of funds | **$ 59,208** | $126,880 |

| Application of funds | | |
|---|---|---|
| Purchase of fixed assets | **$ 32,855** | 20,166 |
| Acquisition of businesses | **–** | 40,716 |
| Less: Working capital acquired | **–** | (21,753) |
| Purchase of additional equity in subsidiaries (note 2) | **3,798** | 6,857 |
| Dividends–preferred shares | **1,827** | 1,101 |
| –common shares | **6,707** | 3,640 |
| Dividends to minority shareholders in subsidiary companies | **466** | 503 |
| Redemption of preferred shares | **–** | 1,117 |
| Retirement of long-term liabilities and changes in current portion | **18,352** | 14,050 |
| Additions to deferred charges | **414** | 96 |
| Share issue expenses, net of tax | **–** | 934 |
| Total application of funds | **$ 64,419** | $ 67,427 |
| INCREASE/(DECREASE) IN WORKING CAPITAL | **$ (5,211)** | $ 59,453 |

| Changes in elements of working capital | | |
|---|---|---|
| WORKING CAPITAL–BEGINNING OF YEAR | **$ 92,098** | $ 32,645 |
| Current assets–increase/(decrease) | | |
| Cash | **$ (4,543)** | $ 4,762 |
| Accounts receivable and prepaid expenses | **2,226** | 29,726 |
| Inventories | **13,444** | 16,481 |
| | **$ 11,127** | $ 50,969 |
| Current liabilities–(increase)/decrease | | |
| Bank advances and current portion of long-term liabilities | **$ (16,488)** | $ 21,436 |
| Accounts payable and accrued charges | **1,684** | (14,018) |
| Income and other taxes payable | **(1,534)** | 1,066 |
| | **$ (16,338)** | $ 8,484 |
| NET INCREASE/(DECREASE) IN WORKING CAPITAL | **$ (5,211)** | $ 59,453 |
| WORKING CAPITAL–END OF YEAR | **$ 86,887** | $ 92,098 |

# Notes to consolidated financial statements

for the year ended December 31, 1979

## 1. Change in accounting presentation

In prior years the financial statements of Rio Indal, Inc. have been consolidated with the financial statements of the Company. Rio Indal, Inc., a metal trading operation, has in 1979, been accounted for by the equity method and the comparative figures for 1978 have been re-stated to conform with this presentation.

It is considered that this method provides the more informative presentation of the financial position of the Company. Rio Indal's business is subject to wide fluctuations in volume from day to day. The nature and size of the components in its financial statements, particularly in respect of the current assets and current liabilities also vary widely. Consolidation of its accounts can misrepresent the financial position of the Company and the constituent parts of the earnings statement. The metal trading operation is a high volume, low margin business and does not involve any manufacturing on the part of Rio Indal, Inc. and the company's gross margin is similar in many ways to a commission, although the company does technically trade as a principal.

Condensed financial statements of Rio Indal, Inc. are set out in Note 7.

## 2. Acquisition of equity in subsidiaries

During 1979 the Company acquired additional equity in the following subsidiary companies: Alamo Aluminum Corp. (25%), Aluminum Processes Incorporated (12½%), Indal Fabricators Inc. (10%), North American Die Casting Corp. (25%), Peachtree Doors, Inc. (4.3%), SealRite Windows, Inc. (20³⁄₁₀%). Cash consideration for the above purchases totalled $3,087,000. Additional equity in Better-Bilt Aluminum Products Co. (5%) was also acquired during the year on a deferred purchase basis. Based on the profits to date, the purchase consideration would total $711,000.

## 3. Foreign currency translation

All assets and liabilities of United States subsidiaries have been translated into Canadian dollars at the year-end rate of $1 U.S. = $1.16 Canadian (1978–$1 U.S. = $1.185 Canadian).

Foreign exchange adjustments arising from the translation of the net working capital of United States subsidiaries are as follows:

| | **1979** | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| On the translation of net current assets | **$ (242)** | $ 1,973 |
| Effect on earnings per share | **(3¢)** | 30¢ |

Foreign exchange adjustments on translation of non-current assets and non-current liabilities of United States subsidiaries have been deferred and are included in "Other Accounts Payable and Accrued Charges."

## 4. Earnings before income taxes

Earnings before income taxes are stated after charging:

| | **1979** | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Depreciation and amortization | **$11,457** | $ 8,875 |
| Amortization of goodwill | **497** | 348 |
| Interest on bank advances | **2,319** | 3,563 |
| Interest on long-term debt | **6,065** | 4,600 |

## 5. Segmented information

Based on the products and operations of the Company, the following classes of business have been determined by the Directors:

(a) Residential construction products: Products supplied for use in residential construction, including new housing and apartment buildings.

(b) Home improvement and consumer products: Products supplied to mass merchandisers, lumber yards and do-it-yourself outlets for use in home improvements.

(c) Non-residential construction products: Products supplied for ultimate use in industrial, commercial or institutional construction.

(d) Industrial components: Products supplied for incorporation as a part or sub-assembly in an industrial product, including automotive products and design engineered products.

(e) Other manufacturing: Products that do not fall into any other industry segment.

(f) Metal trading: The buying and selling of primary, secondary and scrap aluminum.

Segmented information on sales, operating profits and net assets by segment and a geographic analysis is contained in Appendix 1.

## 6. Income taxes

Income taxes based on earnings are made up of:

| | **1979** | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Income taxes payable | | |
| –Canada | **$ 8,661** | $ 5,988 |
| –United States | **5,307** | 5,344 |
| | **13,968** | 11,332 |
| Deferred income taxes | | |
| –Canada | **1,468** | 1,341 |
| –United States | **678** | (494) |
| | **2,146** | 847 |
| | **$16,114** | $12,179 |

The Company's effective income tax rates are comprised as follows:

| | 1979 | 1978 |
|---|---|---|
| Canadian federal income tax rate | **46.0%** | 46.0% |
| Provincial income tax, net of federal abatement | **3.0** | 3.0 |
| Federal tax incentives for manufacturing and processing | **(4.3)** | (4.7) |
| Investment tax credits | **(2.3)** | (0.2) |
| Inventory tax credit | **(2.0)** | (3.2) |
| Reduced rate on capital gains | **(0.5)** | – |
| Other | **(1.8)** | (1.6) |
| | **38.1%** | 39.3% |
| United States federal income tax rate | **46.0%** | 48.0% |
| State income taxes | **4.5** | 4.5 |
| Investment tax credits | **(10.9)** | (3.7) |
| Tax effect of goodwill write-off | **4.8** | 4.1 |
| Other | **2.5** | (1.2) |
| | **46.9%** | 51.7% |
| Average Canadian/United States rate | **41.0%** | 43.4% |
| Non-taxable foreign exchange adjustments | **0.2** | (2.8) |
| | **41.2%** | 40.6% |

Deferred income tax expense results from timing differences. The sources of these differences and the tax effect thereof are as follows:

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Excess depreciation for tax purposes– | | |
| –Canada | **$ 1,318** | $ 1,216 |
| –United States | **529** | 200 |
| Accounts receivable holdbacks –Canada | **243** | 98 |
| Other | **56** | (667) |
| | **$ 2,146** | $ 847 |

**7. Financial statements–Rio Indal, Inc.**

Condensed financial statements of Rio Indal, Inc. accounted for on an equity basis in the consolidated financial statements, are as follows. These statements have been converted into Canadian dollars.

**Statement of earnings and retained earnings**
for the year ended December 31, 1979

| **Earnings** | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Sales from metal trading | **$334,499** | $161,447 |
| Gross profit | **7,353** | 2,263 |
| Expenses | **1,924** | 1,827 |
| | **5,429** | 436 |
| Exchange adjustment on net current assets (note A(i)) | **293** | 329 |
| Earnings before income taxes | **5,722** | 765 |
| Income taxes | **2,568** | 227 |
| Net earnings (note B) | **$ 3,154** | $ 538 |
| **Retained earnings** | | |
| Balance–beginning of year | **$ 4,143** | $ 3,918 |
| Net earnings | **3,154** | 538 |
| Dividends paid | **(107)** | (313) |
| Balance–end of year | **$ 7,190** | $ 4,143 |

**Balance sheet**
as at December 31, 1979

| **Assets** | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Current assets | | |
| Cash and short-term deposits | **$ 14,574** | – |
| Accounts receivable | **65,875** | $ 30,161 |
| Inventories | **–** | 386 |
| Other accounts receivable and prepaid expenses | **145** | 159 |
| | **80,594** | 30,706 |
| Fixed assets–at cost | | |
| Leasehold improvements, office furniture and motor vehicles | **224** | 224 |
| Accumulated depreciation | **161** | 132 |
| | **63** | 92 |
| Intangible assets | | |
| Deferred charges | **185** | 189 |
| | **$ 80,842** | $ 30,987 |

**Liabilities**

| | | |
|---|---|---|
| Current liabilities | | |
| Bank advance | – | $ 2,432 |
| Accounts payable | **$ 70,976** | 23,852 |
| Income and other taxes payable | **2,376** | 260 |
| | **73,352** | 26,544 |
| Shareholders' equity | | |
| Authorized–300 common shares of the par value of U.S. $1.00 each<br>Issued and fully paid–200 shares | **1** | 1 |
| Contributed surplus | **299** | 299 |
| Retained earnings | **7,190** | 4,143 |
| | **7,490** | 4,443 |
| | **$ 80,842** | $ 30,987 |

**Statement of changes in financial position**
for the year ended December 31, 1979

| **Source of funds** | **1979** | 1978 (in thousands of dollars) |
|---|---|---|
| Operations | | |
| Net earnings | **$ 3,154** | $ 538 |
| Items not affecting funds–<br>Depreciation and amortization | **33** | 40 |
| Total source of funds | **3,187** | 578 |
| **Application of funds** | | |
| Purchase of fixed assets | – | 37 |
| Dividends | **107** | 313 |
| Total application of funds | **107** | 350 |
| **Increase in working capital** | **$ 3,080** | $ 228 |

**A. Notes to the financial statements of Rio Indal, Inc.**

(i) Foreign currency translation
Assets and liabilities are translated to Canadian dollars at the rate of exchange in effect at the year-end. Income and expenses are translated to Canadian dollars at a rate approximating the average rate of exchange during the year. The exchange adjustments on current assets and current liabilities are taken into income. The exchange adjustments on other assets and liabilities are deferred.

(ii) Revenue recognition
Substantially all metal purchased and sold by the Company is done so under contracts having fixed prices for future delivery. Substantially all metal sold is shipped directly from vendors to customers based on Company release orders. Sales, accounts receivable, cost of sales and accounts payable are recorded simultaneously upon notification of shipments by the vendors or upon transfer of title to the metal in accordance with the specific terms of the purchase and sales contracts.

(iii) Commitments and contingencies
At December 31, 1979 the Company had contractual obligations to purchase approximately 97,163,000 pounds of metal having an aggregate purchase cost of approximately $78,854,000. It also had contractual sales commitments for approximately 80,298,000 pounds of metal having an aggregate sales value of approximately $64,145,000. Purchase commitments exceed sales commitments by 16,865,000 pounds and $14,709,000. The Company foresees no difficulty in disposing of its excess purchase commitments at an aggregate value which will exceed the aggregate cost of such excess purchase commitments.

**B. Reconciliation of results**
The earnings of the Company are incorporated in the consolidated statement of earnings of Indal Limited as follows:

| | **1979** | 1978 (in thousands of dollars) |
|---|---|---|
| Earnings from metal trading | **$ 3,154** | $ 538 |
| Write-down in cost of shares in parent company, equivalent to annual amortization of goodwill | **(390)** | (381) |
| Earnings from metal trading accounted for by the equity method | **$ 2,764** | $ 157 |

**8. Dilution of earnings per common share**

Fully diluted earnings per common share based on the exercise of stock options at the beginning of the year would be $2.25 per share, assuming that the potential proceeds of $1,172,000 on exercise of stock options would yield income at an interest rate of 12%.

**9. Inventories**

| | **1979** | 1978 (in thousands of dollars) |
|---|---|---|
| Raw materials | **$ 53,661** | $ 46,151 |
| Work in process | **10,379** | 7,867 |
| Finished goods | **18,885** | 15,463 |
| | **$ 82,925** | $ 69,481 |

## 10. Goodwill

| | Balance January 1, 1979 | Additions | Amortization | Other Adjustments | Balance December 31, 1979 |
|---|---|---|---|---|---|
| | (in thousands of dollars) | | | | |
| Resulting from acquisitions or agreements entered into prior to January 1, 1974 | $ 14,312 | – | – | $ (561)(1) | $ 13,751 |
| Resulting from acquisitions and agreements entered into after January 1, 1974 | 19,364 | $ 2,167 | $ (497) | (530)(2) | 20,504 |
| | $ 33,676 | $ 2,167 | $ (497) | $ (1,091) | $ 34,255 |

Note: (1) Write-off of goodwill on the sale of Fairmont Plating (Alta) Ltd. and Fairmont Plating (Man) Ltd.

(2) Consists of an exchange adjustment of $503,000 and the write-off of $27,000 goodwill on the sale of Indal Fabricators, Inc.

In addition to the above, the remaining goodwill of $390,000 arising on the purchase of Rio Indal, Inc. was written off against earnings from metal trading.

## 11. Deferred charges less amortization

During the year, total expenditures capitalized in respect of deferred charges were $414,000 (1978–$96,000) and amortization totalled $574,000 (1978–$651,000).

## 12. Long-term liabilities

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| 8½% Sinking Fund Debentures, Series A, secured by a pledge of certain assets of the Company and shares of certain subsidiaries, due on March 15, 1993 with annual repayments by way of sinking fund of $300,000 in 1981 to 1984, $400,000 in 1985 to 1988 and $550,000 in 1989 to 1992 | **$ 6,895** | $ 7,300 |
| Mortgages maturing– | | |
| within 5 years, 6% to 11¾% | **3,478** | 3,353 |
| within 5-10 years, 8% | **4,499** | 2,538 |
| after 10 years, 2% to 12½% | **7,417** | 9,729 |
| 7% Notes payable, secured by a pledge of shares of a U.S. subsidiary, repayable in four equal annual instalments of U.S. $2,942,500 commencing on January 2, 1980 | **13,653** | 15,962 |
| Prime plus ¼% unsecured revolving loan credit facility of U.S. $35,000,000. The loan can either be rolled over for another year or converted on December 31, 1981 to a five year term loan payable in 20 equal quarterly instalments at prime plus ¾% The loan agreement with respect to the above includes specific stipulations regarding (a) debt limitations; (b) long-term borrowings in relation to shareholders' equity; and (c) working capital and current ratio requirements of Indal Inc. | **6,960** | — |
| Series 1979 revenue bonds, secured by a pledge of rents, bearing interest at 7.75% payable semi-annually on January 1 and June 1. The principal sum is repayable at U.S. $300,000 annually commencing July 1, 1994 | **5,301** | – |
| 9.375% Note repayable in equal monthly instalments of U.S. $25,917 including interest, through November, 1987 | **2,025** | 2,235 |
| 8.8% Note repayable in 10 equal annual instalments of U.S. $250,000 plus interest | **2,610** | 2,962 |
| The loan agreements with respect to the above two notes include specific stipulations regarding (a) unsecured short-term borrowings; (b) long-term borrowings in relation to shareholders' equity; (c) secured debt limitations; and (d) working capital and current ratio requirements of a subsidiary company | | |
| Bank term loan, repaid in 1979 | **–** | 5,925 |
| Other | **3,617** | 10,466 |

| | 1979 | 1978 |
|---|---|---|
| | (in thousands of dollars) | |
| Capital leases: | | |
| Manufacturing plant leases payable in varying monthly or annual instalments at interest rates of between 6¾% and 9%. At the end of the lease terms the Company has the option to purchase the property on payment of a nominal sum | **6,877** | 4,581 |
| | **$ 63,332** | $ 65,051 |
| Less: Portion due within one year | **7,311** | 8,309 |
| | **$ 56,021** | $ 56,742 |

Repayment of long-term liabilities over the next five years are as follows:

| | |
|---|---|
| 1980 | **$7,311,000** |
| 1981 | **5,727,000** |
| 1982 | **5,617,000** |
| 1983 | **5,690,000** |
| 1984 | **9,242,000** |

## 13. Capital stock

(a) On November 1, 1979 the Company was continued under the Canada Business Corporations Act which resulted in the following changes to the capital structure of the Company:

(1) The 2,000,000 authorized preferred shares of a par value of $25 each, issuable in series are now an unlimited number of no par value preferred shares, issuable in series.

(2) The 10,000,000 authorized common shares without nominal or par value are now an unlimited number of common shares of no par value.

(b) Preferred shares

On March 9, 1978 the Company issued 1,000,000 cumulative floating rate preferred shares Series A of the par value of $25 each. These preferred shares, which do not have general voting rights, have a cumulative floating rate dividend equal to half of the Canadian bank prime rate plus 1½%. The shares are redeemable at the option of the Company at $26.25 per share prior to March 1, 1981 and thereafter at par. The shares are retractable at par, at the option of the holders, in 1988. In the event of a change in the income tax treatment of dividends, either the dividend rate will be increased or these preferred shares will be redeemed by the Company. The holders have agreed to accept term promissory notes of the Company in the event of a redemption pursuant to this tax change provision.

(c) Changes in capital stock

The following changes in the issued capital stock occurred during 1979:

| | Number of shares | Amount |
|---|---|---|
| Common shares December 31, 1978 | 9,558,688 | $65,712,000 |
| Exercise of stock options | 33,964 | 220,000 |
| December 31, 1979 | 9,592,652 | $65,932,000 |

(d) Stock options

At December 31, 1979 there were outstanding options to purchase 141,269 common shares (including 52,265 to senior officers some of whom are also directors of the Company) exercisable between $4.450 and $13.725 per share. These options expire at various times between 1980 and 1986.

## 14. Commitments and contingencies

(a) The Company has agreed to acquire, on request from the minority shareholders of nine subsidiaries, their shareholdings in these companies at prices based on the profits earned by these subsidiaries. In respect of five subsidiaries these rights were not yet exercisable at December 31, 1979 and hence the total potential cost cannot be determined. In two of these five subsidiaries, the minority shareholders have the option to request the Company to purchase up to 10% of their holdings in each year from 1980 through 1983, at a fixed price. The maximum annual payments in respect of these two subsidiaries in each of the next three years is $1,096,000. For those subsidiaries on which rights may be exercised, the cost, based on profits to December 31, 1979 would be approximately $1,275,000.

(b) Minimum annual rentals under contracts for lease of premises and machinery and equipment amount to $4,555,000 of which $2,246,000 relates to leases expiring after December 31, 1984.

c) Indalex Limited, a wholly-owned subsidiary of the Company, has received federal and provincial income tax assessments totalling $1,867,000 including interest and penalties in respect of the calendar years 1971, 1972, 1973 and 1974. Certain of these assessments allege that additional income was earned in those years and the remainder allege that Indalex Limited failed to withhold tax on amounts paid or credited to a non-resident of Canada. These assessments are being resisted and no provision therefore has been made in the accounts of the Company. Indalex Limited expects to receive additional provincial income tax assessments amounting to approximately $100,000 in respect of the same years.

(d) Pension plans

Various retirement plans exist within the group. Contributions to plans for salaried and hourly employees charged to income were $2,336,000 including payments of $264,000 for past service costs as a result of the Company having voluntarily upgraded pension benefits. On the basis of valuations by the Company's actuaries in 1978 and 1979 the remaining liability at December 31, 1979 with respect to unfunded past service benefits amounted to $1,610,000 which is being funded and charged to earnings at varying rates over periods ranging from two to twenty years.

(e) Capital commitments

At December 31, 1979, capital commitments in respect of fixed asset additions amounted to approximately $5,800,000.

(f) Related party transactions

There were no material transactions during the year between the Company and related parties.

## 15. Comparative figures

Certain of the 1978 figures have been reclassified to conform to the 1979 financial statement presentation.

# Industry segments (in thousands of dollars)

| | Residential construction products | | Home improvement and consumer products | |
|---|---|---|---|---|
| | **1979** | 1978* | **1979** | 1978* |
| Sales to third parties | **$166,262** | $131,758 | **$82,664** | $69,470 |
| Inter-segment sales | **5,710** | 5,185 | **5,732** | 4,857 |
| | **$171,972** | $136,943 | **$88,396** | $74,327 |
| Segment operating profit | **$ 18,740** | $ 16,092 | **$ 5,990** | $ 5,711 |
| General corporate expenses | | | | |
| Interest expense | | | | |
| Exchange adjustment on net current assets | | | | |
| Earnings from metal trading accounted for by the equity method | | | | |
| Income taxes | | | | |
| Earnings before minority shareholders' interest | | | | |
| Identifiable assets | **$115,775** | $104,696 | **$50,880** | $47,030 |
| Investment in metal trading subsidiary accounted for by the equity method | | | | |
| Corporate assets | | | | |
| | | | | |
| Capital expenditure | **$ 13,095** | $ 6,490 | **$ 4,460** | $ 3,276 |
| Depreciation and amortization | **$ 4,573** | $ 3,409 | **$ 2,035** | $ 1,532 |

# Geographic segments

| 1979 | Canada | United States | Eliminations | Consolidated |
|---|---|---|---|---|
| Sales to third parties | $234,981 | $215,104 | – | $450,085 |
| Transfers between geographic segments | 5,330 | 9,795 | $ (15,125) | – |
| | $240,311 | $224,899 | $ (15,125) | $450,085 |
| Segment operating profit | $ 29,157 | $ 21,138 | – | $ 50,295 |
| Identifiable assets | $140,041 | $139,531 | $ – | $279,572 |

Canadian operations include export sales of $53,201,000 in 1979 (1978–$52,761,000) primarily to customers in the United States.

| 1978* | Canada | United States | Eliminations | Consolidated |
|---|---|---|---|---|
| Sales to third parties | $204,964 | $158,364 | $ – | $363,328 |
| Transfers between geographic segments | 1,986 | 945 | (2,931) | – |
| | $206,950 | $159,309 | $ (2,931) | $363,328 |
| Segment operating profit | $ 23,068 | $ 16,717 | $ (424) | $ 39,361 |
| Identifiable assets | $128,637 | $123,098 | $ – | $251,735 |

*1978 figures are unaudited

| Non-residential construction products | | Industrial components | | Other | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|
| **1979** | 1978* | **1979** | 1978* | **1979** | 1978* | **1979** | 1978* | **1979** | 1978* |
| **$79,991** | $59,746 | **$102,011** | $89,717 | **$19,157** | $12,637 | **$ –** | $ – | **$450,085** | $363,328 |
| **3,576** | 3,764 | **5,107** | 4,562 | **26,093** | 17,134 | **(46,218)** | (35,502) | **–** | – |
| **$83,567** | $63,510 | **$107,118** | $94,279 | **$45,250** | $29,771 | **$ (46,218)** | $ (35,502) | **$450,085** | $363,328 |
| **$10,436** | $ 7,883 | **$ 13,736** | $ 9,689 | **$ 1,393** | $ 410 | **$ –** | $ (424) | **$ 50,295** | $ 39,361 |
| | | | | | | | | **(2,274)** | (3,555) |
| | | | | | | | | **(8,706)** | (7,775) |
| | | | | | | | | **(242)** | 1,973 |
| | | | | | | | | **2,764** | 157 |
| | | | | | | | | **(16,114)** | (12,179) |
| | | | | | | | | **$ 25,723** | $ 17,982 |
| **$51,802** | $41,115 | **$ 56,422** | $50,993 | **$14,621** | $10,588 | **$ (9,928)** | $ (2,687) | **$279,572** | $251,735 |
| | | | | | | | | **7,324** | 4,667 |
| | | | | | | | | **2,944** | 2,814 |
| | | | | | | | | **$289,840** | $259,216 |
| **$ 7,755** | $ 1,476 | **$ 5,870** | $ 7,479 | **$ 1,322** | $ 666 | | | | |
| **$ 1,644** | $ 1,403 | **$ 2,313** | $ 1,815 | **$ 670** | $ 520 | | | | |

# Summarized quarterly financial data (unaudited)

| 1979 | March 31 | Three months ended June 30 (in thousands of dollars) | September 30 | December 31 | Year ended December 31 |
|---|---|---|---|---|---|
| Sales | $ 94,001 | $114,512 | $123,771 | $117,801 | $450,085 |
| Gross profit | 22,621 | 29,898 | 33,190 | 30,623 | 116,332 |
| Net earnings | 2,828 | 5,237 | 7,651 | 7,950 | 23,666 |
| Net income per common share | | | | | |
| Basic | $0.25 | $0.50 | $0.75 | $0.78 | $2.28 |
| Fully diluted | $0.25 | $0.49 | $0.73 | $0.78 | $2.25 |
| Market price (TSE) | | | | | |
| High | 14¾ | 16 | 15⅜ | 14¼ | 16 |
| Low | 12½ | 14⅛ | 13⅛ | 11⅛ | 11⅛ |
| Number of shares traded | 325,423 | 416,289 | 222,864 | 432,672 | 1,397,248 |

| 1978 | March 31 | Three months ended June 30 (in thousands of dollars) | September 30 | December 31 | Year ended December 31 |
|---|---|---|---|---|---|
| Sales | $ 59,748 | $89,455 | $103,538 | $110,587 | $363,328 |
| Gross profit | 14,277 | 21,989 | 28,107 | 28,172 | 92,545 |
| Net income | 1,551 | 3,716 | 5,927 | 4,932 | 16,126 |
| Net income per common share | | | | | |
| Basic | $0.24 | $0.52 | $0.85 | $0.64 | $2.25 |
| Fully diluted | $0.24 | $0.51 | $0.82 | $0.64 | $2.21 |
| Market price (TSE) | | | | | |
| High | 11 | 13⅜ | 16¾ | 16⅝ | 16¾ |
| Low | 8½ | 10⅝ | 11¼ | 12⅜ | 8½ |
| Number of shares traded | 319,132 | 307,657 | 434,604 | 142,045 | 1,203,438 |

*Twenty-four stores in second section of Toronto's Eaton Centre, completed in 1979, have sliding mall front doors fabricated by Commercial Aluminum Division, Toronto.*

# Ten year financial summary

| |
|---|
| **Earnings** |
| Sales–manufacturing operations |
| Gross profit–manufacturing operations |
| Income from manufacturing before income tax |
| Sales–metal trading(6) |
| Net income from metal trading operations |
| Net earnings for the period |
| Preferred dividends paid |
| Common dividends paid |
| **Performance statistics** |
| Gross profit percentage–manufacturing operations |
| Net earnings as a percent of manufacturing sales |
| Asset/sales turnover ratio |
| Return on total assets (based on net earnings) |
| Return on common shareholders' equity (based on net earnings after preferred dividends and average opening and closing equity) |
| **Share data** |
| Earnings per common share (after preferred dividends) (3) |
| Earnings per share growth |
| Dividends paid per common share (3) |
| Book value per common share |
| Average number of common shares outstanding (3) |
| **Assets** |
| Working capital |
| Current ratio |
| Fixed assets |
| Total assets |
| **Shareholders' equity** |
| Preferred shareholders' equity |
| Common shareholders' equity |
| Number of common shares outstanding at year end |
| **Cash flow** |
| Funds from operations |
| Purchase of fixed assets |
| Depreciation of fixed assets |

(1) The 1970 and 1971 figures have been adjusted to reflect the inclusion of Western Aluminum Products, a partnership in which the Company had a 50% interest.
(2) Five quarterly dividends were paid during the period.
(3) The 1976 and previous figures have been adjusted to reflect a two for one stock split which was effected in 1977.
(4) 1976 figures have been restated to reflect a repurchase commitment for inventories of $8,982,000 originally recorded by way of a note.
(5) 1970 figure is based on 14 months results to December 31, 1970.
(6) Excludes sales to group companies.

(in thousands of dollars)

| **1979** | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 [5] |
|---|---|---|---|---|---|---|---|---|---|
| **450,085** | 363,328 | 212,150 | 158,691 | 109,317 | 111,824 | 89,904 | 70,689 | 43,122[1] | 34,910[1] |
| **116,332** | 92,545 | 55,031 | 42,993 | 31,775 | 30,859 | 21,819 | 16,214 | 10,142[1] | 7,829[1] |
| **39,073** | 30,004 | 16,912 | 15,689 | 12,790 | 11,862 | 6,001 | 4,927 | 2,875[1] | 1,317[1] |
| **323,998** | 161,322 | 226,176 | 236,404 | 109,349 | 75,741 | 36,229 | – | – | – |
| **2,764** | 157 | 1,170 | 1,364 | 816 | 1,154 | 840 | – | – | – |
| **23,666** | 16,126 | 10,007 | 9,474 | 7,480 | 7,037 | 3,855 | 2,098 | 1,163 | 473 |
| **1,827** | 1,101 | 68 | 72 | 77 | 83 | 87 | 93 | 98 | 129[2] |
| **6,707** | 3,640 | 3,066 | 2,782 | 2,187 | 1,594 | 661 | 410 | 191 | 237 |
| **25.8%** | 25.5% | 25.9% | 27.1% | 29.1% | 27.6% | 24.3% | 22.9% | 23.5%[1] | 22.4%[1] |
| **5.3%** | 4.4% | 4.7% | 6.0% | 6.8% | 6.3% | 4.3% | 3.0% | 2.7% | 1.4% |
| **1.5** | 1.4 | 1.4 | 1.3 | 1.2 | 1.4 | 1.3 | 1.6 | 1.5 | 1.6 |
| **8.2%** | 6.2% | 6.8% | 7.7% | 7.9% | 8.9% | 5.6% | 4.7% | 4.2% | 2.2% |
| **19.0%** | 18.1% | 18.5% | 20.5% | 20.6% | 29.0% | 22.7% | 19.7% | 15.7% | 5.5% |
| **$2.28** | $2.25 | $1.60 | $1.55 | $1.54 | $1.75 | $1.21 | $0.73 | $0.56 | $0.19 |
| **1.3%** | 40.6% | 3.2% | 0.6% | (12.0)% | 44.6% | 65.8% | 30.4% | 194.7% | (52.5)% |
| **70¢** | 55¾¢ | 49½¢ | 45⅞¢ | 45¢ | 38¾¢ | 21¼¢ | 15¢ | 10¢ | 12½¢[2] |
| **$12.81** | $11.25 | $9.02 | $8.09 | $7.03 | $6.82 | $5.81 | $4.79 | $3.92 | $3.47 |
| **9,579,410** | 6,664,146 | 6,226,159 | 6,060,116 | 4,809,244 | 3,975,534 | 3,126,630 | 2,770,632 | 1,911,346 | 1,902,092 |
| **86,887** | 92,098 | 32,587 | 32,270 | 24,002 | 13,416 | 5,675 | 5,127 | 3,475 | 4,305 |
| **2.3:1** | 2.8:1 | 1.6:1 | 2.1:1 | 1.9:1 | 1.5:1 | 1.2:1 | 1.3:1 | 1.3:1 | 1.6:1 |
| **94,946** | 76,611 | 46,423 | 38,718 | 31,485 | 24,594 | 19,675 | 10,590 | 5,510 | 4,036 |
| **289,840** | 259,216 | 147,541 | 122,386[4] | 94,277 | 79,441 | 68,730 | 44,606 | 27,874 | 21,919 |
| **25,000** | 25,000 | 1,083 | 1,167 | 1,250 | 1,333 | 1,417 | 1,500 | 1,583 | 1,667 |
| **122,909** | 107,557 | 58,300 | 49,279 | 42,280 | 29,497 | 18,473 | 14,715 | 7,496 | 6,607 |
| **9,592,652** | 9,558,688 | 6,464,412 | 3,045,760 | 3,008,592 | 2,164,749 | 1,590,162 | 1,535,912 | 955,818 | 952,278 |
| **36,708** | 28,208 | 18,222 | 17,348 | 14,105 | 11,883 | 6,836 | 4,327 | 2,348 | 1,238 |
| **32,855** | 20,166 | 10,606 | 8,880 | 10,033 | 8,025 | 7,755 | 4,350 | 2,582 | 1,331 |
| **10,895** | 8,231 | 5,764 | 4,431 | 3,254 | 2,827 | 2,363 | 1,789 | 1,125 | 1,168 |

# Operating subsidiaries & divisions

## Canada

| | *% of equity attributable to the Company* | |
|---|---|---|
| Insulating glass units | 100 | **AIRLITE GLASS INSULATING Division, Toronto**<br>J. Shapiro, President |
| Technology licencing and capital equipment marketing | 100 | **ALUMINUM PROCESSES INCORPORATED, Toronto**<br>C. C. Andrews, President |
| Aluminum prime windows and patio doors | 100 | **ALUMIPRIME Division, Toronto**<br>H. Lazar, President |
| Architectural aluminum store fronts, entrances, window systems and curtain walls | 100 | **COMMERCIAL ALUMINUM Division, Toronto**<br>B. R. Leaman, President |
| Architectural aluminum store fronts, entrances, window systems and curtain walls | 100 | **COMMERCIAL ALUMINUM (WESTERN) Division, Calgary and Edmonton**<br>L. Krause, General Manager |
| Cold rollformed metal products | 100 | **C. R. METAL PRODUCTS Division,* Toronto**<br>G. Berdan, President |
| Design engineering, structural products and helicopter hauldown and rapid securing systems | 100 | **DAF INDAL LTD., Mississauga**<br>M. R. Maynard, President |
| Commercial and institutional windows and specialty architectural systems | 100 | **DOMINION BRONZE LIMITED, Winnipeg, Regina, Calgary, Edmonton and Vancouver**<br>R. H. R. Dryburgh, President |
| Cold rollformed steel and aluminum industrial and agricultural roofing and siding | 100 | **EASTLAND METALS Division, Mississauga**<br>C. H. Wilson, President |
| Automotive parts and steel containers | 100 | **FABRICATED STEEL PRODUCTS (WINDSOR) LIMITED, Windsor**<br>A. W. Eansor, President |
| Storm and patio door hardware and aluminum home improvement products | 100 | **FASCO PRODUCTS Division,** Toronto**<br>J. E. Faveri, President |
| Aluminum prime windows and patio doors | 100 | **HIALCO MFG. Division, Port Coquitlam, Kelowna and Nanaimo**<br>P. Houweling, President |
| | 100 | **INDAL PRODUCTS Group**<br>J. W. Rooney, Vice-President and General Manager |
| Aluminum ladders | | **LITE METALS Division, Mississauga** |
| Aluminum storm doors and windows | | **MARITIMES Division, Amherst** |
| Aluminum storm doors, windows and garden houses | | **REBMEC Division, Toronto** |
| Aluminum extrusions, surface finishing and fabricated products/ aluminum recycling and billet casting | 100 | **INDALEX/INDALLOY Division, Toronto, Montreal, Calgary and Port Coquitlam**<br>W. J. MacDonald, President |
| Wood and vinyl windows | 100 | **McKNIGHT WINDOW INDUSTRIES Division, Toronto**<br>D. R. Williams, Vice-President and General Manager |
| Residential steel entrance doors and patio doors | 70 | **PEACHTREE DOORS CANADA LTD., Toronto**<br>S. G. Abray, President |
| Demountable walls and office landscape partitions | 100 | **RAM PARTITIONS Division, Toronto**<br>A. W. Stokes, Vice-President and General Manager |
| Glass tempering and processing | 85 | **TEMPGLASS LIMITED, Toronto**<br>I. R. Moore, President |
| | 100 | **WESTERN ALUMINUM PRODUCTS Group**<br>C. M. Kline, President |
| Aluminum and wood prime windows, doors, insulating glass units and travel trailer components | | **CALGARY Division, Calgary, Brampton, Kelowna, Lethbridge, Medicine Hat, Red Deer and Saskatoon** |

# Locations of plants, warehouses and sales offices

| | *% of equity attributable to the Company* | |
|---|---|---|
| Aluminum and wood prime windows, doors and insulating glass units | | **EDMONTON Division,*** Edmonton, Prince George and Grande Prairie** |
| Aluminum and wood prime windows, doors and insulating glass units | | **WINNIPEG Division, Winnipeg, Regina and Thunder Bay** |
| Cold rollformed steel and aluminum industrial and agricultural roofing and siding, rainwater goods and grain bins | 100 | **WESTLAND METALS Division, Richmond, Calgary, Edmonton and Saskatoon**<br>B. G. Harrison, President |
| Wood windows | 100 | **WESTWOOD WINDOWS Division, Airdrie**<br>G. G. Orpe, President |

# United States

| | | |
|---|---|---|
| Aluminum prime windows and patio doors | 92.5 | **ALAMO ALUMINUM CORP., Santa Clara, CA**<br>R. Hopper, President |
| Aluminum patio and storm doors, and aluminum prime and storm windows | 99 | **BETTER-BILT ALUMINUM PRODUCTS CO., Smyrna, TN and Prescott, AZ**<br>L. M. Moffatt, President |
| Aluminum screen doors, weatherstripping, thresholds, storm doors and security doors | 79 | **EMPIRE METAL PRODUCTS CORPORATION, Los Angeles, CA and Columbus, OH**<br>D. E. Stewart, President |
| Wood cabinets for kitchens and bathrooms | 100 | **KABINART CORPORATION, Nashville, TN**<br>G. Boudoucies, President |
| Aluminum extrusions and fabricated products | 100 | **MIDEAST ALUMINUM INDUSTRIES, INC., Dayton, NJ and Mountaintop, PA**<br>R. B. Sowers, President |
| Zinc die cast products | 100 | **NORTH AMERICAN DIE CASTING CORP., Fredericksburg, VA**<br>S. H. Ruderfer, President |
| Residential steel entrance doors and patio doors | 76.5 | **PEACHTREE DOORS, INC., Atlanta and Gainsville, GA, St. Joseph, MO and Pompano Beach, FL**<br>J. R. Hewell, Jr., President |
| Aluminum replacement windows | 100 | **REPLACEMENT PRODUCTS INDUSTRIES CORPORATION Philadelphia, PA**<br>A. Clark, President |
| Metal trading | 100 | **RIO INDAL, INC., Cleveland, OH**<br>E. Henderson, President |
| Aluminum extrusions and fabricated products | 100 | **ROYAL ALUMINUM, INC., Los Angeles, CA**<br>J. B. Teets, President |
| Wood windows, patio doors and insulating glass units | 95.2 | **SEALRITE WINDOWS, INC., Lincoln, NE and Chicago, IL**<br>P. Brown, President |
| Glass tempering and processing | 70 | **TEMPGLASS, INC., Toledo, OH**<br>I. D. Fintel, President |
| Glass tempering and processing | 95 | **TEMPGLASS EASTERN, INC., Atlanta, GA**<br>J. Mulvanerty, President |
| Glass tempering and processing | 92.5 | **TEMPGLASS SOUTHERN, INC., Grand Prairie, TX**<br>W. C. Metcalfe, President |
| Glass tempering and processing | 70 | **TEMPGLASS WESTERN, INC., Fremont, CA**<br>R. B. Cobie, President |
| Aluminum, wood and other building products | 100 | **TENNESSEE BUILDING PRODUCTS, INC., Nashville, Knoxville and Chattanooga, TN**<br>J. Fishel, President |
| Glazing contractor | 100 | **TENNESSEE GLASS COMPANY, Nashville, TN**<br>E. Grace, President |

*formerly Custom Rollforming Company Limited
**formerly Fashion Grilles Division of RAM Partitions Limited
***formerly Windowmaster Products Division of Indal Limited

*Operator wearing protective clothing takes a sample of molten metal from the alloying furnace of Indalloy Division's aluminum recycling plant, Toronto.*


CHIEF
WESTLAND
CHIEF
WESTLAND

# Corporate directory

## Directors

**DERMOT G. COUGHLAN**
President and Chief Executive Officer, Indal Limited, Toronto

**DEREK EDWARDS**
Chairman and Chief Executive, Pillar Aluminium Limited, London, England, a manufacturer and distributor of aluminum and steel products

**JAMES R. HEWELL, JR.**
President, Peachtree Doors, Inc., Atlanta, a manufacturer of residential door products

**LEO P. LARKIN, JR.**
Partner, Rogers & Wells, New York, Attorneys

**ROBERT B. LEESON**
Company Director, Vancouver

**J. ROSS LeMESURIER**
Vice-President, Wood Gundy Limited, Toronto, an investment dealer

**DONALD J. McDONALD**
Company Director, Toronto

**GEORGE H. MONTAGUE**
Vice-President, TALcorp Associates Limited, Toronto, an investment company

**JAMES A. PATERSON**
Chairman and Chief Executive, R.T.Z. Industries Limited, London, England, an industrial holding company

**J. DEREK RILEY**
Company Director, Winnipeg

**PETER G. SELLEY**
Vice-President, Finance and Treasurer, Indal Limited, Toronto

**WALTER E. STRACEY**
Chairman, Indal Limited, Toronto

Member of the Executive Committee
Member of the Audit Committee

## Officers

**WALTER E. STRACEY**
Chairman

**DERMOT G. COUGHLAN**
President and Chief Executive Officer

**J. NORMAN McKNIGHT**
Executive Vice-President, Canadian Operations

**PETER G. SELLEY**
Vice-President, Finance and Treasurer

**DOWNIE BROWN**
Vice-President, Corporate Development

**K. ANDERAS EGGEN**
Vice-President, Operations

**JOHN D. HILLERY**
Vice-President, Corporate Counsel and Secretary

**VINCENT J. HOWCROFT**
Vice-President, Administration

**JON N. LeHEUP**
Vice-President, Operations

**THOMAS A. ROSKO**
Vice-President, Operations

**A. M. GORDON TURNBULL**
Controller and Assistant Treasurer

**KERIN H. S. LLOYD**
Group Executive, Manufacturing and Marketing Services

**W. LYLE MUIR**
Administrator, Risk Management and Employee Benefits

**GEORGE A. GODWIN**
Assistant Secretary

## Head office

4000 Weston Road, Weston, Ontario M9L 2W8
Telephone (416) 743-1400 Telex 065-27290

## Auditors

**COOPERS & LYBRAND**
Chartered Accountants

## Principal bankers

**THE TORONTO-DOMINION BANK**
**CANADIAN IMPERIAL BANK OF COMMERCE**
**CITIBANK, N.A.**

## General counsel

**BORDEN & ELLIOT**, Toronto
**ROGERS & WELLS**, New York

## Transfer agents and registrars

**PREFERRED SHARES**
**INDAL LIMITED**, Weston
**COMMON SHARES**
**THE ROYAL TRUST COMPANY**, Toronto, Montreal, Winnipeg, Calgary, Regina and Vancouver

## Annual meeting

The annual meeting of the common shareholders of Indal Limited will be held on Thursday, April 17, 1980 at 3:30 p.m. (local time) in the Varley Room of the Hotel Toronto, 145 Richmond Street West, Toronto, Ontario.

## Exchange listings

The common shares of Indal Limited (ticker symbol ICL) are listed on The Toronto Stock Exchange and the Montreal Stock Exchange.

## Annual report

Copies of the Indal Limited 1979 Annual Report or the booklet "This is Indal" may be obtained by contacting the Secretary at the head office.

*Steel grain bins, products of Westland Metals, Edmonton, Alta., store wheat on Alberta farm.*

Printed in Canada

Indal Limited
4000 Weston Road
Weston Ontario
Canada M9L 2W8
Tel. (416) 743-1400

Martin
for your file
Don

# Indal Limited

## Notice of Annual Meeting of Shareholders and Management Proxy Circular 1982

# INDAL LIMITED

## Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of INDAL LIMITED (the "Corporation") will be held in the Territories Room at the Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Thursday, May 6, 1982 at 4:00 p.m. for the following purposes:

(a) To receive and consider the reports of the Chairman and President, the consolidated financial statements of the Corporation and its subsidiaries for the financial year ended December 31, 1981, and the report of the Auditors thereon;

(b) To elect Directors;

(c) To appoint Auditors and authorize the Directors to fix their remuneration; and

(d) To transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Weston, Ontario, March 17, 1982

By order of the Board
J. D. HILLERY
Secretary

If you are unable to be present in person, please complete and execute the enclosed form of proxy, and return it as soon as possible, in the stamped envelope provided, to The Royal Trust Company, P.O. Box 7500, Postal Station "A", Toronto, Ontario, Canada, M5W 9Z9. Att.: Corporate Trust.

# INDAL LIMITED

# MANAGEMENT PROXY CIRCULAR

## Proxy Solicitation

This management proxy circular is furnished in connection with **the solicitation by the management of Indal Limited (the "Corporation") of proxies** to be used at the Annual Meeting of common shareholders of the Corporation (the "meeting") called for the purposes and to be held at the time and place set forth in the foregoing notice of meeting. It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited personally or by telephone by regular employees and directors of the Corporation. The cost of solicitation will be borne by the Corporation. The information herein contained is given as of March 17, 1982.

## Appointment and Revocation of Proxies

The persons named in the accompanying form of proxy are directors of the Corporation.

A shareholder who executes and returns the accompanying form of proxy may revoke it at any time before it is exercised by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation, 4000 Weston Road, Weston, Ontario, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or, with the chairman of the meeting on the day of the meeting, or any adjournment thereof.

## Voting of Proxies

If the enclosed form of proxy is properly completed and submitted in favour of the persons designated in the printed portion thereof, the shares represented by the proxy will be voted on any ballot that may be called for (unless the shareholder has directed otherwise with respect to the election of directors and/or the appointment of auditors). **The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting.** At the time of printing this management proxy circular the management of the Corporation is not aware that any such amendments, variations or other matters are to be presented for action at the meeting.

## Voting Shares and Principal Holders Thereof

The holders of common shares of the Corporation of record at the time of the meeting will be entitled to vote at the meeting. Each holder is entitled to one vote for each such share held. As at the date hereof there are 9,645,445 common shares of the Corporation outstanding.

To the knowledge of the directors and officers of the Corporation, the only person or corporation who beneficially owns or exercises control or direction over shares carrying more than 10% of the votes attached to shares of the Corporation is Rallip Canada Limited which owns 5,718,228 or 59.3% of the common shares of the Corporation. R.T.Z. Industries Limited beneficially owns all of the common shares of Rallip Canada Limited and in turn, The Rio Tinto-Zinc Corporation Limited beneficially owns all of the ordinary shares of R.T.Z. Industries Limited.

## Election of Directors

The persons listed in the following table will be nominated for election as directors of the Corporation, to hold office from the date of election until the next annual meeting of shareholders of the Corporation or until their respective successors are elected or appointed. All are now members of the Board of Directors and have been since the dates indicated.

Michael M. Freeman is and has been Finance Director of R.T.Z. Industries Limited for more than 5 years. G. Allan MacKenzie is and has been Executive Vice-President of General Distributors of Canada Ltd. since May 1980; from August 1978 to May 1980, he was Commander Air Command of the Canadian Air Force, Winnipeg, Manitoba; from July 1977 to August 1978, he was Deputy Commander, Air Command of the Canadian Air Force, Winnipeg, Manitoba; and from June 1975 to June 1977 he was Chief of Air Doctrine and Operations, National Defence Headquarters, Ottawa, Ontario. Alastair H. Ross is and has been the President of Allaro Resources Ltd. since March 1980; from July 1979 to March 1980, he was an oil and gas exploration consultant; from April 1971 to July 1979, he was the President of Western Decalta Petroleum Limited; and from March 1977 to July 1979, he was also the President of Pembina Pipeline Limited.

Management is not now aware that any of the nominees will be unable to serve as directors, but, if that should occur for any reason prior to the meeting, the persons designated in the printed portion of the enclosed form of proxy reserve the right to vote for another nominee in their discretion unless the shareholder has specified in the proxy that his shares are to be withheld from voting in the election of directors.

The following table states the names of all the persons proposed to be nominated for election as directors, all other major positions and offices with the Corporation or any of its significant affiliates now held by them, if any, their principal occupation or employment, the year in which they became directors of the Corporation and the approximate number of common shares of the Corporation beneficially owned or controlled or directed by each of them as of the date hereof.

| Name and Principal Occupation | Became Director | Shares of Corporation |
|---|---|---|
| Dermot G. Coughlan,<br>President and Chief Executive Officer of the Corporation | 1971 | 500 |
| Derek Edwards,<br>Chairman and Chief Executive,<br>R.T.Z. Industries Limited,<br>an industrial holding company | 1973 | Nil |
| Michael M. Freeman,<br>Finance Director, R.T.Z. Industries Limited,<br>an industrial holding company | 1982 | Nil |
| James R. Hewell, Jr.,<br>President, Peachtree Doors, Inc.,<br>a manufacturer of residential window and door products | 1978 | Nil |
| Leo P. Larkin, Jr.,<br>Partner,<br>Rogers & Wells, Attorneys | 1979 | 300 |
| J. Ross LeMesurier,<br>Vice-Chairman,<br>Wood Gundy Limited,<br>an investment dealer | 1966 | 532 |
| G. Allan MacKenzie,<br>Executive Vice-President,<br>General Distributors of Canada Ltd.,<br>a retailer of consumer products and a<br>distributor of consumer and industrial<br>electronic products | 1981 | 200 |

| Name and Principal Occupation | Became Director | Shares of Corporation |
|---|---|---|
| Donald J. McDonald, Company Director | 1965 | 1,000 |
| George H. Montague, Vice-President, TALcorp Associates Limited, an investment company | 1970 | 14,043 |
| J. Derek Riley, Company Director | 1973 | 30,300 |
| Alastair H. Ross, President, Allaro Resources Ltd., an oil and gas exploration company | 1981 | Nil |
| Simon B. Scott, Partner, Borden & Elliot, Barristers & Solicitors | 1980 | 200 |
| Peter G. Selley, Senior Vice-President, Finance of the Corporation | 1973 | 42 |
| Walter E. Stracey, Chairman of the Corporation | 1965 | 668 |

The information as to shares beneficially owned by the foregoing, not being within the knowledge of the Corporation, has been furnished by the persons named.

## Remuneration of Directors and Officers

The aggregate remuneration paid or payable by the Corporation and its subsidiaries to the directors and officers of the Corporation in respect of the financial year ended December 31, 1981 was as follows:

| | Nature of Remuneration Earned | | | | | |
|---|---|---|---|---|---|---|
| | Directors' Fees | Salaries | Bonuses | Non-Accountable Expense Allowance | Other (2) | Total |
| **Remuneration of Directors**(1) | | | | | | |
| (a) Number of directors — 14 | | | | | | |
| (b) Company incurring the expense | | | | | | |
| Indal Inc. | | | | $ 3,000 | | $ 3,000 |
| Indal Limited | $88,000 | | | $18,000 | | $ 106,000 |
| **Remuneration of Officers** | | | | | | |
| (a) Number of officers — 16 | | | | | | |
| (b) Company incurring the expense | | | | | | |
| Indal Inc. | | $ 597,000 | $ 30,000 | | | $ 627,000 |
| Indal Limited | | $ 875,000 | $148,000 | | $224,000 | $1,247,000 |
| Totals | $88,000 | $1,472,000 | $178,000 | $21,000 | $224,000 | $1,983,000 |

(1) The remuneration of directors who are also officers of the Corporation is included under "Remuneration of Officers". Directors who are officers of the Corporation or one of its subsidiaries do not receive any remuneration for acting in their capacity as directors.

(2) The remuneration listed under the heading "Other" is paid pursuant to the Corporation's Management Incentive Plan. See "Management Incentive Plan" on the following page of this Management Proxy Circular for a description thereof.

The estimated aggregate cost to the Corporation and its subsidiaries in the financial year ended December 31, 1981 of all benefits proposed to be paid to the directors and officers of the Corporation under any pension or retirement plan upon retirement at normal retirement age was $150,000.

## Management Incentive Plan

The Corporation has a long-term incentive compensation plan (the "plan") under which grants of incentive units ("units") are made to certain officers of the Corporation. The units have no value at the time they are granted, but will appreciate over time if the Corporation achieves a predetermined minimum rate of growth in earnings per share. In order for the units granted to date to have value, the Corporation must achieve a 10% cumulative compound annual growth in earnings per share from their date of grant. Provided that the minimum rate of growth is met, the value of the units at any time will be the greater of (i) their value according to an earnings performance formula based upon the increase in the Corporation's earnings per share from the date the units are granted to the date the units are valued, or (ii) their value according to a market price formula based upon the difference between the market price of the Corporation's common shares at the date the units are granted and the date the units are valued. The plan also provides that holders cannot redeem any of their units for the first two years after the grant, but thereafter may redeem for cash up to 20% of their units in the third year, up to 40% in the fourth year and up to 100% thereafter. Units must be redeemed within eight years of their grant. At the option of the holder, payment for units redeemed may be deferred until his retirement, with payment at that time either in a lump sum or in ten equal annual installments. During 1981, 29,925 units were redeemed for an aggregate cost to the Corporation of $224,000. Units presently outstanding expire at various times between 1985 and 1987. If all of the presently outstanding exercisable units were redeemed during 1982, the aggregate cost to the Corporation would be nil. The future values of units depend on future earnings and prices of the common shares of the Corporation and accordingly it is not practicable to estimate the amount of any payments which may be made by the Corporation in the future in respect of any redemptions of units presently outstanding.

## Stock Option Plan

The Corporation has a stock option plan authorizing the granting of options to officers and key employees of the Corporation and its subsidiaries to purchase authorized but unissued common shares of the Corporation. Options are granted in consideration of their services. The option price is not less than 90% of the fair market value of the common shares on the date the option is granted. An option holder may not exercise any of his options within one year of the date of grant, but thereafter may exercise up to 20% of his options within two years of such date, up to 40% within three years, up to 60% within four years, up to 80% within five years and up to 100% within seven years. Options presently outstanding expire at various times between 1982 and 1988. No options have been granted to directors who are not officers or key employees of the Corporation or its subsidiaries.

From January 1, 1981 to the date hereof, the directors and officers as a group were granted or exercised options to purchase common shares of the Corporation as follows:

**Options Granted**

| Number of Shares | Date of Grant | Option Price | Expiration of Option | Price Range in 30-Day Period Prior to Date of Grant |
|---|---|---|---|---|
| 8,000 | Feb. 20/81 | $13.50 | Feb. 19/88 | $14.750 - $16.250 |

**Options Exercised**

| Number of Shares | Purchase Price | Price Range in 30-Day Period Prior to Date of Purchase | Number of Shares | Purchase Price | Price Range in 30-Day Period Prior to Date of Purchase |
|---|---|---|---|---|---|
| 1,000 | $6.200 | $14.750 - $16.000 | 8,000 | $10.570 | $17.000 - $20.000 |
| 166 | $4.625 | $14.500 - $16.000 | 1,500 | $10.570 | $17.000 - $17.500 |
| 500 | $5.075 | $14.500 - $16.000 | 800 | $ 8.250 | $14.500 - $17.125 |
| 800 | $8.250 | $14.500 - $16.000 | 1,000 | $ 6.200 | $13.500 - $14.125 |

## Directors' and Officers' Insurance

The Corporation has purchased insurance in the amount of $25 million for the benefit of the directors and officers of the Corporation and its subsidiaries against liability incurred by them in their capacity as directors or officers of the Corporation or of any of its subsidiaries in respect of which it paid a premium during the financial year ended December 31, 1981 of $31,450 for all directors and officers as a group. The directors and officers did not pay any portion of the premium for such insurance. The policy does not specify that a portion of the premium is paid in respect of the coverage for directors or officers respectively. With respect to each claim, the policy will respond after a deductible amount of $20,000. The policy also provides that the Corporation is to be a self-insurer to the extent of 5% of any claim in excess of $20,000 and less than $1,000,000.

## Appointment of Auditors

Coopers & Lybrand will be nominated for reappointment as auditors of the Corporation to hold office until the next annual meeting of shareholders or until their successors are appointed.

## Interest of Management and Others in Material Transactions

James R. Hewell, Jr., who resides in Atlanta, Georgia, is a director of the Corporation and as such had an interest in the following transactions: (i) the acquisition by Mr. Hewell on January 26, 1981 of treasury common shares of Westwood Windows Ltd. ("Westwood") representing a 15% equity interest in Westwood, a 70% owned Canadian subsidiary of the Corporation, for $77,010; and (ii) a shareholders' agreement dated January 26, 1981, among the Corporation, Mr. Hewell and one other minority shareholder of Westwood, whereby Mr. Hewell and the other minority shareholder were given the right to require the Corporation to purchase all of their shares of Westwood at any time prior to January 1, 1986 at a formula price based on the profits earned by Westwood in the three fiscal years prior to the year in which such right is exercised, and providing for certain restrictions and other rights with respect to the purchase and sale of their shares and with respect to the continuing management and operation of Westwood. Mr. Hewell is also the Chairman of Westwood.

## Approval of Management Proxy Circular

The contents and sending of this management proxy circular have been approved by the directors.

March 17, 1982

J. D. Hillery

J. D. Hillery
Secretary